

CITY OF NORWAY
AUDITED FINANCIAL STATEMENTS
NORWAY, MICHIGAN

Fiscal Year Ended June 30, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Norway	County Dickinson
Fiscal Year End 6/30/07	Opinion Date 12/7/07	Date Audit Report Submitted to State 1/10/08	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

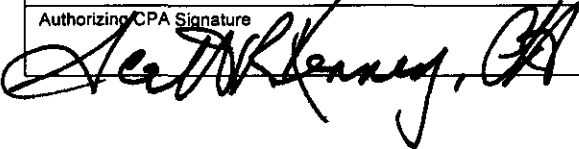
We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe) Single Audit	<input checked="" type="checkbox"/>		
Certified Public Accountant (Firm Name) Scott R. Kenney, CPA		Telephone Number (906)875-4393	
Street Address 1374 Commercial Avenue, Suite 1		City Crystal Falls	State MI
		Zip 49920	
Authorizing CPA Signature 		Printed Name Scott R. Kenney	License Number #11483

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Norway
915 Main Street
Norway, Michigan 49870

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Norway, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's elected officials and management. My responsibility is to express opinions on these financial statements based on my audit. I did not audit the financial statements of the Oak Crest Golf Club, Inc., a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to me, and my opinion, insofar as it relates to the amounts included for the Oak Crest Golf Club, Inc. is based on the report of the other auditors.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Norway, Michigan, as of June 30, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 7, 2007, on my consideration of the City of Norway, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over

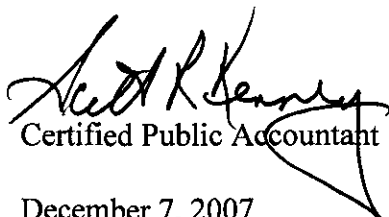
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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis and Budgetary Comparison Schedules as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Norway, Michigan's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Norway, Michigan. The combining and individual nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied by me and other auditors in the audit of the basic financial statements and, in my opinion, based on my audit and the report of other auditors, are fairly presented in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.


Certified Public Accountant

December 7, 2007

CITY OF NORWAY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements.

The City as a Whole

The City's combined net assets increased 8.2% from a year ago - increasing from \$19,936 million to \$21,574 million. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced a decrease of approximately \$4,000 during the year. This is attributed to limiting capital spending, closely scrutinizing expenses and making adjustments as opportunities present themselves. The business-type activities experienced a \$1.6 million increase in net assets, primarily as a result of charge increases and the reimbursement received from the insurance company of slightly more than \$1 million for the electric turbine failure in the prior fiscal year. In a condensed format, the table below shows a comparison of the net assets (in thousands of dollars) as of the current date to the prior year:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current Assets	\$ 1,448	\$ 1,682	\$ 1,264	\$ 883	\$ 2,712	\$ 2,565
Noncurrent Assets	<u>16,086</u>	<u>15,767</u>	<u>15,035</u>	<u>13,819</u>	<u>31,121</u>	<u>29,586</u>
Total Assets	\$ 17,534	\$ 17,449	\$ 16,299	\$ 14,702	\$ 33,833	\$ 32,151
Long-Term Debt Outstanding	\$ 4,890	\$ 4,928	\$ 4,383	\$ 5,346	\$ 9,273	\$ 10,274
Other Liabilities	<u>779</u>	<u>651</u>	<u>2,207</u>	<u>1,290</u>	<u>2,986</u>	<u>1,941</u>
Total Liabilities	<u>\$ 5,669</u>	<u>\$ 5,579</u>	<u>\$ 6,590</u>	<u>\$ 6,636</u>	<u>\$ 12,259</u>	<u>\$ 12,215</u>
Net Assets						
Invested in Capital Assets—Net of Debt	\$ 10,360	\$ 10,743	\$ 8,753	\$ 7,421	\$ 19,113	\$ 18,164
Restricted	<u>741</u>	<u>45</u>	<u>566</u>	<u>329</u>	<u>1,307</u>	<u>374</u>
Unrestricted	<u>765</u>	<u>1,082</u>	<u>389</u>	<u>316</u>	<u>1,154</u>	<u>1,398</u>
Total Net Assets	\$ 11,866	\$ 11,870	\$ 9,708	\$ 8,066	\$ 21,574	\$ 19,936

CITY OF NORWAY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

Unrestricted net assets - the part of net assets that can be used to finance day to day operations, decreased by \$317,000 during the year for the governmental activities. This represents a decrease in the unrestricted fund balance of nearly 30%. The current level of unrestricted net assets for our governmental activities stands in at \$765,000. The beginning balance of unrestricted fund balance has been restated as explained in footnote C.

The following table shows the changes of the net assets (in thousands of dollars) as of the current date to the prior year:

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Program Revenues						
Charges for Services	\$ 181	\$ 161	\$ 5,502	\$ 4,929	\$ 5,683	\$ 5,090
Operating Grants and Contributions	487	396	40	0	527	396
Capital Grants and Contributions	726	114	300	163	1,026	277
General Revenues						
Property Taxes	\$ 946	\$ 851	\$ 0	\$ 0	\$ 946	\$ 851
State-Shared Revenues	311	330	0	0	311	330
Unrestricted Investment Earnings	227	81	25	7	252	88
Fines and forfeitures	6	9	0	0	6	9
Sale of land	0	1	(2)	0	(2)	1
Transfers and Other Revenue	<u>647</u>	<u>500</u>	<u>495</u>	<u>(489)</u>	<u>1,142</u>	<u>11</u>
Total Revenues	\$ 3,531	\$ 2,443	\$ 6,360	\$ 4,610	\$ 9,891	\$ 7,053
Program Expenses						
General Government	\$ 819	\$ 1,143	\$ 0	\$ 0	\$ 819	\$ 1,143
Public Safety	727	665	0	0	727	665
Public Works	1,662	1,471	0	0	1,662	1,471
Recreation & Culture	57	39	0	0	57	39
Interest on Long-Term Debt	270	184	0	0	270	184
Oak Crest Golf Course	0	0	382	518	382	518
Public Utilities	<u>0</u>	<u>0</u>	<u>4336</u>	<u>4,005</u>	<u>4,336</u>	<u>4,005</u>
Total Expenses	<u>\$ 3,535</u>	<u>\$ 3,502</u>	<u>\$ 4,718</u>	<u>\$ 4,523</u>	<u>\$ 8,253</u>	<u>\$ 8,025</u>
Change in Net Assets	\$ (4)	\$ (1,059)	\$ 1,642	\$ 87	\$ 1,638	\$ (972)

The City's net assets remain at a very low level and continued to decrease this year. This can be

CITY OF NORWAY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

attributed to aggressive spending in prior years using primarily debt financing without increasing revenues and current year capital purchases being financed with additional debt and some grant revenue. Some new businesses have located in the City and construction continued at a steady pace this past year.

Governmental Activities

The City's total governmental revenues increased by approximately \$1.1 million due primarily to the grants received and additional borrowing.

Cash expenditures increased approximately \$33,000 during the year. This was primarily due to inflationary increases and limitations on capital spending.

Business-Type Activities

The City's business-type activities consist of the Television, Electric, Golf, Water and Sewer Funds. The City provides cable television and internet services to residents through its cable television system. The City also provides electric service to residents by generating hydroelectric power at its own facilities and supplements its customers needs with power purchased from WE Energies. The City owns and operates Oak Crest Golf Course in conjunction with Oak Crest Golf Club, Inc. The City provides water and sewer services to residents, which come from the City's own systems. The Electric Fund saw its revenues increase due to the receipt of an insurance claim of slightly more than \$1 million and an increase in line installation revenues. Both water and sewer revenues increased due to rate increases. Golf course expenses rose due to the recording of an incentive retirement for one of the employees. The Electric Fund saw its power production and associated revenue decrease during the year due to low water levels and the work that has commenced on the Hydro-power system. This also resulted in a large increase in the power purchased from WE Energies. The WE Energies rate increases continue to be larger than the rate of inflation.

The City's Funds

Analysis of the City's major funds begins on page 13, following the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as a special property tax millage. The City's major funds for 2006-2007 include the General Fund, Major Streets, Local Streets, Downtown Development Authority, Capital Projects and each of the business type funds.

The General Fund pays for most of the City's governmental services. The most significant are general maintenance of city property and buildings, maintaining the City's equipment, police and fire services

CITY OF NORWAY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

and general administration. These services are primarily funded from property taxes assessed to the residents of the City and revenues shared with the State of Michigan.

The additional major fund for 2006-2007 is the Local Street Fund which accounts for construction and maintenance of the City's Local Streets. Local Streets are defined by the Michigan Department of Transportation requirements.

General Fund Budgetary Highlights

Over the course of the year, the City Board amended the budget to take into account events during the year. In the General Fund, the most significant revenue changes was in Property Taxes which increased to accommodate the actual increase in revenues. The Public Works expenditures line increased due to a milder winter than normal with less cost being assigned to the street funds..

Capital Asset and Debt Administration

At the end of the 2006-2007 fiscal year, the City had more than \$29 million invested in a broad range of capital assets that are being systematically depreciated over the estimated useful lives of the various assets. These include snow removal equipment, police and fire equipment, land, buildings, community television/internet system, electric system, golf course, water and sewer systems. In addition, the City has invested significantly in roads and buildings within the City. The cost value of the roads at the end of the 2006-2007 fiscal year exceeded \$10 million. These roads are maintained by the City with the costs recorded in the major and local street funds.

The capital acquisitions during the year were partially financed with grants and additional loans totaling \$215,000 in the governmental funds and \$6.3 million in the business type funds. The borrowed funds were used to procure a fire truck and to undertake major improvements to the City's electric utility.

Economic Factors and Next Year's Budgets and Rates

The City's budget for 2007-2008 calls for a freeze on property tax rates. This can be accomplished because of the controls that are being placed on governmental fund expenditures and previously approved millage designated for roads and fire equipment. Because of the impact of Proposal A and a precarious cash position, however, the City needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value on any individual property to the lesser of inflation or 5%. Because some properties increase in value by less than the inflationary rate, the mathematical result of this is that the total taxable value for the City will grow at a rate less than inflation, before considering new property additions.

CITY OF NORWAY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

The “streetscape” work was completed during 2006-2007 year and the necessary expenditures were budgeted accordingly. In addition, the City will assess the Street Millage for the first time in the 2007-2008 year and use the collections to service the debt associated with street repairs and improvements. The City has attempted to obtain grant funding to upgrade the subsurface utilities as the roads are being completed.

Contacting the City's Management

This financial report is intended to provide the citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the manager's office.

CITY OF NORWAY
GOVERNMENT WIDE STATEMENT OF NET ASSETS
June 30, 2007

		PRIMARY GOVERNMENT			
		GOVERNMENTAL	BUSINESS-TYPE		COMPONENT
		ACTIVITIES	ACTIVITIES	TOTAL	UNIT
ASSETS					
CURRENT ASSETS					
Cash and equivalents	\$	666,196	\$ 218,763	\$ 884,959	\$ 94,284
Investments		0	0	0	0
Receivables - net		230,278	584,716	814,994	3,047
Inventory		7,324	212,993	220,317	91,925
Prepaid expenses		51,962	47,627	99,589	0
Other		0	0	0	0
Internal balances		492,075	200,000	692,075	0
TOTAL CURRENT ASSETS		\$ 1,447,835	\$ 1,264,099	\$ 2,711,934	\$ 189,256
RESTRICTED ASSETS - Cash and equivalents					
	\$	681,600	\$ 818,473	\$ 1,500,073	\$ 0
NON-CURRENT ASSETS					
Property and equipment, net of depreciation	\$	15,386,194	\$ 14,097,732	\$ 29,483,926	\$ 0
Other		18,815	118,063	136,878	0
TOTAL NON-CURRENT ASSETS		\$ 15,405,009	\$ 14,215,795	\$ 29,620,804	\$ 0
TOTAL ASSETS		\$ 17,534,444	\$ 16,298,367	\$ 33,832,811	\$ 189,256
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	\$	222,101	\$ 419,336	\$ 641,437	\$ 25,502
Accrued and other liabilities		108,853	333,786	442,639	40,771
Interprogram payables		201,045	491,207	692,252	0
Current part of non-current liabilities		247,417	332,612	580,029	0
TOTAL CURRENT LIABILITIES		\$ 779,416	\$ 1,576,941	\$ 2,356,357	\$ 66,273
LIABILITIES PAYABLE FROM RESTRICTED ASSETS		\$ 0	\$ 629,449	\$ 629,449	\$ 0
NON-CURRENT LIABILITIES					
Compensated absences	\$	110,496	\$ 0	\$ 110,496	\$ 0
Bonds payable		4,779,026	0	4,779,026	0
Revenue bonds payable		0	4,383,140	4,383,140	0
TOTAL NON-CURRENT LIABILITIES		\$ 4,889,522	\$ 4,383,140	\$ 9,272,662	\$ 0
TOTAL LIABILITIES		\$ 5,668,938	\$ 6,589,530	\$ 12,258,468	\$ 66,273
NET ASSETS					
Invested in capital assets, net of related debt	\$	10,359,751	\$ 8,752,531	\$ 19,112,282	\$ 0
Restricted for					
Prepaid expenses		51,962	47,627	99,589	0
Inventory		7,324	212,993	220,317	91,925
Bond discount		0	118,063	118,063	0
Capital improvements		681,600	189,024	870,624	14,611
Unrestricted		764,869	388,599	1,153,468	16,447
TOTAL NET ASSETS		\$ 11,865,506	\$ 9,708,837	\$ 21,574,343	\$ 122,983

Notes to Financial Statements are an integral part of this statement.

CITY OF NORWAY
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
Year ended June 30, 2007

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET REVENUE (EXPENSE) AND CHANGES IN NET ASSETS			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT			COMPONENT UNIT
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
Governmental Activities								
General government	\$ 818,461	\$ 0	\$ 0	\$ 0	\$ (818,461)		\$ (818,461)	
Public safety	727,229	0	70,399	45,000	(611,830)		(611,830)	
Public works	1,662,209	181,064	326,783	680,826	(473,536)		(473,536)	
Recreation and culture	56,726	0	89,480	0	32,755		32,755	
Interest and fees on long-term debt	<u>270,450</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(270,450)</u>		<u>(270,450)</u>	
TOTAL GOVERNMENTAL ACTIVITIES	\$ <u>3,535,075</u>	\$ <u>181,064</u>	\$ <u>486,662</u>	\$ <u>725,826</u>	\$ (2,141,523)		\$ (2,141,523)	
Business-Type Activities								
Television	\$ 765,674	\$ 785,506	\$ 0	\$ 0		\$ 19,832	\$ 19,832	
Electric	2,346,750	2,813,599	0	0		466,849	466,849	
Oak Crest Golf Course	382,341	419,882	33,006	0		70,547	70,547	
Water	635,124	767,726	7,206	110,176		249,984	249,984	
Sewer	<u>588,065</u>	<u>715,060</u>	<u>0</u>	<u>190,285</u>		<u>317,280</u>	<u>317,280</u>	
TOTAL BUSINESS-TYPE ACTIVITIES	\$ <u>4,717,954</u>	\$ <u>5,501,773</u>	\$ <u>40,212</u>	\$ <u>300,461</u>		\$ 1,124,492	\$ 1,124,492	
Component Unit - Oak Crest Golf Club, Inc.	\$ <u>455,443</u>	\$ <u>365,074</u>	\$ <u>0</u>	\$ <u>0</u>				\$ (90,369)
GENERAL REVENUES								
Property taxes					\$ 945,513	\$ 0	\$ 945,513	\$ 0
State shared revenues and grants					310,976	0	310,976	0
Unrestricted investments earnings					227,475	25,691	253,166	512
Fines and forfeitures					5,712	0	5,712	0
Other					20,780	52,566	73,346	66,905
SPECIAL ITEM-Gain (loss) on sale of land					0	(1,632)	(1,632)	0
-Insurance reimbursement					0	1,053,807	1,053,807	0
TRANSFERS					<u>626,715</u>	<u>(612,396)</u>	<u>14,319</u>	<u>0</u>
TOTAL GENERAL REVENUES AND SPECIAL ITEMS					\$ <u>2,137,171</u>	\$ <u>518,036</u>	\$ <u>2,655,207</u>	\$ <u>67,417</u>
CHANGE IN NET ASSETS								
Net assets - beginning (as restated)					\$ <u>11,869,859</u>	\$ <u>8,066,309</u>	\$ <u>19,936,168</u>	\$ <u>145,935</u>
NET ASSETS - ENDING					\$ <u>11,865,506</u>	\$ <u>9,708,837</u>	\$ <u>21,574,343</u>	\$ <u>122,983</u>

Notes to Financial Statements are an integral part of this statement.

CITY OF NORWAY
GOVERNMENTAL FUNDS BALANCE SHEET
COMBINED BALANCE SHEET
June 30, 2007

	GENERAL FUND	MAJOR STREETS	LOCAL STREETS	DOWNTOWN DEVELOPMENT AUTHORITY	CAPITAL PROJECTS	NON-MAJOR GOVERNMENTAL FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS							
Cash and equivalents	\$ 47,863	\$ 182,517	\$ 47,632	\$ 232,108	\$ 133,889	\$ 22,187	\$ 666,196
Taxes and accounts receivable	30,980	0	0	0	0	1,909	32,889
Due from other funds	491,207	0	868	0	0	0	492,075
Due from other governmental units	56,085	68,705	72,599	0	0	0	197,389
Inventory	7,324	0	0	0	0	0	7,324
Prepaid expenses	51,951	0	0	0	0	11	51,962
Bond discount	0	0	0	18,815	0	0	18,815
Restricted assets	0	39,899	0	2,311	639,390	0	681,600
TOTAL ASSETS	\$ 685,410	\$ 291,121	\$ 121,099	\$ 253,234	\$ 773,279	\$ 24,107	\$ 2,148,250
LIABILITIES							
Accounts payable	\$ 55,280	\$ 83,375	\$ 76,894	\$ 1,438	\$ 1,563	\$ 3,551	\$ 222,101
Accrued payroll expense	58,530	1,871	532	0	0	680	61,613
Accrued taxes and withholdings	20,660	299	67	0	0	52	21,078
Due to other funds	201,045	0	0	0	0	0	201,045
Accrued interest	0	0	0	0	0	0	0
Other liabilities	4	0	0	0	0	0	4
TOTAL LIABILITIES	\$ 335,519	\$ 85,545	\$ 77,493	\$ 1,438	\$ 1,563	\$ 4,283	\$ 505,841
FUND BALANCE							
Reserved for							
Prepaid expenses	\$ 51,951	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11	\$ 51,962
Inventory	7,324	0	0	0	0	0	7,324
Bond discount	0	0	0	18,815	0	0	18,815
Capital improvements	0	39,899	0	0	0	0	39,899
Unreserved	290,616	165,677	43,606	232,981	771,716	19,813	1,524,409
TOTAL FUND EQUITY	\$ 349,891	\$ 205,576	\$ 43,606	\$ 251,796	\$ 771,716	\$ 19,824	\$ 1,642,409
TOTAL LIABILITIES AND FUND EQUITY	\$ 685,410	\$ 291,121	\$ 121,099	\$ 253,234	\$ 773,279	\$ 24,107	\$ 2,148,250

The Notes to Financial Statements are an integral part of this statement.

CITY OF NORWAY
RECONCILIATION OF BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2007

Total fund balance - total governmental funds	\$ 1,642,409
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds net of related depreciation	15,386,194
Accrued interest payable not recorded on governmental financial statements	(26,158)
Long term liabilities:	
Bonds/loans not due and payable with the current period and not reported in the funds	(5,026,443)
Accumulated employee vacation and personal pay not used in current period	<u>(110,496)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES \$	<u><u>11,865,506</u></u>

Notes to Financial Statements are an integral part of this statement.

CITY OF NORWAY
ALL GOVERNMENTAL FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
Year ended June 30, 2007

	<u>GENERAL</u>	<u>MAJOR STREETS</u>	<u>LOCAL STREETS</u>	<u>DOWNTOWN DEVELOPMENT AUTHORITY</u>	<u>CAPITAL PROJECTS</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES							
General property taxes	\$ 672,113	\$ 0	\$ 96,615	\$ 176,785	\$ 0	\$ 0	\$ 945,513
Federal grants	45,000	136,926	72,071	0	109,308	0	363,305
State shared revenues and grants	314,919	232,078	94,705	0	362,521	0	1,004,223
Charges for services	181,064	0	0	0	0	0	181,064
Licenses and permits	0	0	0	0	0	0	0
Fines and forfeitures	5,712	0	0	0	0	0	5,712
Interest and rentals	179,923	3,358	916	4,833	38,044	401	227,475
Bond/loan proceeds	215,000	0	0	0	0	0	215,000
Other	<u>76,936</u>	<u>0</u>	<u>0</u>	<u>700</u>	<u>9,600</u>	<u>89,480</u>	<u>176,716</u>
TOTAL REVENUES	\$ 1,690,667	\$ 372,362	\$ 264,307	\$ 182,318	\$ 519,473	\$ 89,881	\$ 3,119,008
EXPENDITURES							
General government	\$ 752,755	\$ 0	\$ 0	\$ 0	\$ 1,190	\$ 14,908	\$ 768,853
Public safety	666,169	0	0	0	0	0	666,169
Public works	530,231	160,983	101,228	123,688	0	0	916,130
Recreation	50,418	0	0	0	0	0	50,418
Debt service	0	0	0	122,444	0	360,933	483,377
Capital outlay	<u>280,144</u>	<u>469,974</u>	<u>147,104</u>	<u>0</u>	<u>581,286</u>	<u>18,526</u>	<u>1,497,034</u>
TOTAL EXPENDITURES	\$ 2,279,717	\$ 630,957	\$ 248,332	\$ 246,132	\$ 582,476	\$ 394,367	\$ 4,381,981
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (589,050)	\$ (258,595)	\$ 15,975	\$ (63,814)	\$ (63,003)	\$ (304,486)	\$ (1,262,973)
OTHER FINANCING SOURCES (USES)							
Transfer from other funds	\$ 620,197	\$ 325,399	\$ 61,117	\$ 0	\$ 0	\$ 288,747	\$ 1,295,460
Transfer to other funds	<u>(163,833)</u>	<u>0</u>	<u>(93,041)</u>	<u>(17,800)</u>	<u>(394,071)</u>	<u>0</u>	<u>(668,745)</u>
EXCESS OF REVENUES AND OTHER FINANCING USES OVER EXPENDITURES	\$ (132,686)	\$ 66,804	\$ (15,949)	\$ (81,614)	\$ (457,074)	\$ (15,739)	\$ (636,258)
Fund balance - beginning	<u>482,577</u>	<u>138,772</u>	<u>59,555</u>	<u>333,410</u>	<u>1,228,790</u>	<u>35,563</u>	<u>2,278,667</u>
FUND BALANCE - ENDING	<u>\$ 349,891</u>	<u>\$ 205,576</u>	<u>\$ 43,606</u>	<u>\$ 251,796</u>	<u>\$ 771,716</u>	<u>\$ 19,824</u>	<u>\$ 1,642,409</u>

Notes to Financial Statements are an integral part of this statement.

CITY OF NORWAY
RECONCILIATION OF STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2007

Net change in fund balance - total governmental funds	\$ (636,258)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures; in the Statement of Activities these costs are allocated over their estimated useful life and reported as depreciation.	628,937
Repayments of loan principal is an expenditure in the governmental funds but not in the Statement of Activities (where it reduces long-term debt).	212,927
Bond/loan proceeds recorded as a revenue in governmental funds and as a liability in Statement of Activities	(215,000)
Increase in accrued interest not recorded as expenditure in governmental funds	(1,378)
Increases in accumulated employee vacation and personal pay are recorded when earned in the Statement of Activities.	<u>6,419</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$	<u><u>(4,353)</u></u>

Notes to Financial Statements are an integral part of this statement.

CITY OF NORWAY
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 June 30, 2007

	TELEVISION UTILITY	ELECTRIC UTILITY	OAK CREST GOLF COURSE	WATER UTILITY	SEWER UTILITY	TOTAL
ASSETS						
Current Assets:						
Cash and equivalents	\$ 0	\$ 82,975	\$ 300	\$ 135,488	\$ 0	\$ 218,763
Accounts receivable	80,845	276,009	0	92,131	71,921	520,906
Due from other funds	0	200,000	0	0	0	200,000
Due from other governmental units	0	0	0	23,378	40,432	63,810
Inventory	0	161,540	0	37,705	13,748	212,993
Prepaid expenses	5,127	23,301	4,870	7,995	6,334	47,627
TOTAL CURRENT ASSETS	\$ 85,972	\$ 743,825	\$ 5,170	\$ 296,697	\$ 132,435	\$ 1,264,099
Restricted Assets	\$ 0	\$ 397,378	\$ 0	\$ 405,360	\$ 15,735	\$ 818,473
Property, Plant and Equipment:						
Utility plant and equipment	\$ 1,036,119	\$ 13,249,295	\$ 2,107,076	\$ 6,220,667	\$ 2,419,253	\$ 25,032,410
Less accumulated depreciation	(837,920)	(5,718,034)	(1,348,663)	(2,063,723)	(966,338)	(10,934,678)
TOTAL PROPERTY, PLANT AND EQUIPMENT	\$ 198,199	\$ 7,531,261	\$ 758,413	\$ 4,156,944	\$ 1,452,915	\$ 14,097,732
Other Assets	\$ 0	\$ 114,641	\$ 0	\$ 3,422	\$ 0	\$ 118,063
TOTAL ASSETS	\$ 284,171	\$ 8,787,105	\$ 763,583	\$ 4,862,423	\$ 1,601,085	\$ 16,298,367
LIABILITIES						
Current Liabilities:						
Accounts payable	\$ 45,653	\$ 243,208	\$ 10,323	\$ 45,520	\$ 74,632	\$ 419,336
Salaries and wages payable	3,012	22,226	3,702	6,618	8,058	43,616
Accrued taxes and withholdings	3,043	29,041	2,704	4,084	4,816	43,688
Accrued interest	0	25,146	0	26,860	0	52,006
Accrued benefits	6,702	42,804	9,243	36,884	25,927	121,560
Due to other funds	90,249	0	107,033	0	293,925	491,207
Due to other governmental units	0	0	0	0	0	0
Security deposits	0	72,916	0	0	0	72,916
Current portion of long term liabilities	0	244,332	0	76,000	12,280	332,612
TOTAL CURRENT LIABILITIES	\$ 148,659	\$ 679,673	\$ 133,005	\$ 195,966	\$ 419,638	\$ 1,576,941
Long Term Liabilities	\$ 0	\$ 1,662,879	\$ 0	\$ 3,187,000	\$ 162,710	\$ 5,012,589
TOTAL LIABILITIES	\$ 148,659	\$ 2,342,552	\$ 133,005	\$ 3,382,966	\$ 582,348	\$ 6,589,530
NET ASSETS						
Invested in capital assets - net of related debt	\$ 198,199	\$ 5,624,050	\$ 758,413	\$ 893,944	\$ 1,277,925	\$ 8,752,531
Restricted for debt service	0	397,378	0	216,336	15,735	629,449
Restricted for repairs and reconstruction	0	0	0	189,024	0	189,024
Restricted for inventory	0	161,540	0	37,705	13,748	212,993
Restricted for prepaid expenses	5,127	23,301	4,870	7,995	6,334	47,627
Restricted for bond discount	0	114,641	0	3,422	0	118,063
Unrestricted	(67,814)	123,643	(132,705)	131,031	(295,005)	(240,850)
TOTAL NET ASSETS	\$ 135,512	\$ 6,444,553	\$ 630,578	\$ 1,479,457	\$ 1,018,737	\$ 9,708,837

The Notes to Financial Statements are an integral part of this statement.

CITY OF NORWAY
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 Year ended June 30, 2007

	TELEVISION UTILITY	ELECTRIC UTILITY	OAK CREST GOLF COURSE	WATER UTILITY	SEWER UTILITY	TOTAL
OPERATING REVENUES						
User charges	\$ 776,575	\$ 2,791,494	\$ 419,882	\$ 760,564	\$ 705,556	\$ 5,454,071
User penalties	8,931	22,105	0	7,162	9,504	47,702
State grants	0	0	0	7,206	0	7,206
Other	<u>19,264</u>	<u>0</u>	<u>302</u>	<u>33,000</u>	<u>0</u>	<u>52,566</u>
TOTAL OPERATING REVENUES	\$ 804,770	\$ 2,813,599	\$ 420,184	\$ 807,932	\$ 715,060	\$ 5,561,545
OPERATING EXPENSES						
Generation, transmission, distribution and maintenance	\$ 710,231	\$ 1,876,995	\$ 346,452	\$ 355,777	\$ 532,970	\$ 3,822,425
Depreciation	<u>55,443</u>	<u>344,039</u>	<u>35,889</u>	<u>122,663</u>	<u>45,501</u>	<u>603,535</u>
TOTAL OPERATING EXPENSES	\$ <u>765,674</u>	\$ <u>2,221,034</u>	\$ <u>382,341</u>	\$ <u>478,440</u>	\$ <u>578,471</u>	\$ <u>4,425,960</u>
OPERATING INCOME (LOSS)	\$ 39,096	\$ 592,565	\$ 37,843	\$ 329,492	\$ 136,589	\$ 1,135,585
NON-OPERATING GAINS (LOSSES)						
Interest	\$ 0	\$ 17,275	\$ 0	\$ 8,416	\$ 0	\$ 25,691
Insurance reimbursement	0	1,053,807	0	0	0	1,053,807
Bond interest and fee payments	0	(103,800)	0	(156,342)	(9,594)	(269,736)
Bond discount amortization	0	(21,916)	0	(342)	0	(22,258)
Contributions, net of amortization	0	0	33,006	0	0	33,006
Gain (loss) on disposal of property and equipment	(1,632)	0	0	0	0	(1,632)
Grant proceeds	0	0	0	123,469	222,683	346,152
Grant amortization	0	0	0	(13,293)	(32,398)	(45,691)
NON-OPERATING TRANSFERS						
From other funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,592	\$ 10,592
To other funds	<u>(77,381)</u>	<u>(317,112)</u>	<u>(56,390)</u>	<u>(96,215)</u>	<u>(75,890)</u>	<u>(622,988)</u>
NET INCOME (LOSS)	\$ (39,917)	\$ 1,220,819	\$ 14,459	\$ 195,185	\$ 251,982	\$ 1,642,528
Net assets - beginning	<u>175,429</u>	<u>5,223,734</u>	<u>616,119</u>	<u>1,284,272</u>	<u>766,755</u>	<u>8,066,309</u>
NET ASSETS - ENDING	\$ <u>135,512</u>	\$ <u>6,444,553</u>	\$ <u>630,578</u>	\$ <u>1,479,457</u>	\$ <u>1,018,737</u>	\$ <u>9,708,837</u>

Notes to Financial Statements are an integral part of this statement.

CITY OF NORWAY
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year ended June 30, 2007

	TELEVISION UTILITY	ELECTRIC UTILITY	OAK CREST GOLF COURSE	WATER UTILITY	SEWER UTILITY	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 791,486	\$ 2,794,907	\$ 421,507	\$ 798,910	\$ 702,962	\$ 5,509,772
Payments to suppliers	(501,504)	(1,068,999)	(173,042)	(46,499)	(172,430)	(1,962,474)
Payments to or on behalf of employees	(201,595)	(721,510)	(165,480)	(245,435)	(300,615)	(1,634,635)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	\$ 88,387	\$ 1,004,398	\$ 82,985	\$ 506,976	\$ 229,917	\$ 1,912,663
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Transfer from (to) other funds	(77,381)	(317,112)	(56,390)	(96,215)	(65,298)	(612,396)
Insurance proceeds	0	1,053,807	0	0	0	1,053,807
Loans from (repaid to) other funds	34,179	50,000	(26,595)	0	(81,011)	(23,427)
TOTAL CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	\$ (43,202)	\$ 786,695	\$ (82,985)	\$ (96,215)	\$ (146,309)	\$ 417,984
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Principal and interest paid on capital debt	\$ 0	\$ (340,555)	\$ 0	\$ (225,672)	\$ (21,874)	\$ (588,101)
Grant proceeds	0	0	0	100,090	182,252	282,342
Purchases of capital assets	(45,185)	(1,205,673)	0	(140,807)	(243,986)	(1,635,651)
Funding of restricted accounts	0	(202,878)	0	(17,300)	0	(220,178)
TOTAL CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (45,185)	\$ (1,749,106)	\$ 0	\$ (283,689)	\$ (83,608)	\$ (2,161,588)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest earned	\$ 0	\$ 17,275	\$ 0	\$ 8,416	\$ 0	\$ 25,691
NET INCREASE (DECREASE) IN CASH	\$ 0	\$ 59,262	\$ 0	\$ 135,488	\$ 0	\$ 194,750
Cash and equivalents - beginning	0	23,713	300	0	0	24,013
CASH AND EQUIVALENTS - ENDING	\$ 0	\$ 82,975	\$ 300	\$ 135,488	\$ 0	\$ 218,763
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	\$ 39,096	\$ 592,565	\$ 37,843	\$ 329,492	\$ 136,589	\$ 1,135,585
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities						
Depreciation	55,443	344,039	35,889	122,663	45,501	603,535
Change in Assets and Liabilities						
Receivables - net	(13,284)	(18,692)	1,323	(9,022)	(12,098)	(51,773)
Inventory	0	(99,723)	0	(508)	(5,559)	(105,790)
Prepaid expenses	(716)	(7,351)	(2,430)	(3,193)	(1,226)	(14,916)
Accounts payable	7,112	178,510	6,420	42,021	66,941	301,004
Accrued payroll expense	208	6,066	478	3,651	923	11,326
Accrued taxes and withholdings	67	1,172	(1,009)	(740)	(544)	(1,054)
Accrued benefits	461	(445)	4,471	22,612	(610)	26,489
Customer deposits	0	8,257	0	0	0	8,257
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 88,387	\$ 1,004,398	\$ 82,985	\$ 506,976	\$ 229,917	\$ 1,912,663

Notes to Financial Statements are an integral part of this statement.

CITY OF NORWAY
FIDUCIARY FUND - TAX COLLECTIONS
STATEMENT OF NET ASSETS
June 30, 2007

ASSETS

Cash and equivalents	\$	0
Due from other funds		<u>853</u>
	\$	<u><u>853</u></u>

LIABILITIES

Due to other funds	\$	675
Due to other governmental units		<u>178</u>
TOTAL LIABILITIES	\$	<u><u>853</u></u>

Notes to Financial Statements are an integral part of this statement.

CITY OF NORWAY
FIDUCIARY FUND - TAX COLLECTIONS
STATEMENT OF CHANGES IN NET ASSETS
Year ended June 30, 2007

	BALANCE			BALANCE
	30-Jun-06	ADDITIONS	DEDUCTIONS	30-Jun-07
ASSETS				
Cash and equivalents	\$ 0	\$ 2,317,710	\$ 2,317,710	\$ 0
Due from other funds	<u>0</u>	<u>641,670</u>	<u>640,817</u>	<u>853</u>
TOTAL ASSETS	\$ 0	\$ 2,959,380	\$ 2,958,527	\$ 853
LIABILITIES				
Due to other funds	\$ 0	\$ 273,400	\$ 272,725	\$ 675
Due to other governmental units	<u>0</u>	<u>1,403,493</u>	<u>1,403,315</u>	<u>178</u>
TOTAL LIABILITIES	\$ <u>0</u>	\$ <u>1,676,893</u>	\$ <u>1,676,040</u>	\$ <u>853</u>

Notes to Financial Statements are an integral part of this statement.

CITY OF NORWAY
COMPONENT UNIT
OAK CREST GOLF CLUB, INC.
STATEMENT OF NET ASSETS
June 30, 2007

ASSETS

Current Assets:

Cash and equivalents	\$ 94,284
Accounts receivable	3,047
Inventory	<u>91,925</u>

TOTAL ASSETS \$ 189,256

LIABILITIES

Current Liabilities:

Accounts payable	\$ 25,502
Gift certificates payable	13,396
Accrued payroll, taxes and withholdings	18,011
Other accrued liabilities	<u>9,364</u>

TOTAL LIABILITIES \$ 66,273

Net assets:

Restricted	\$ 14,611
Unrestricted	<u>108,372</u>

TOTAL NET ASSETS \$ 122,983

Notes to Financial Statements are an integral part of this statement.

CITY OF NORWAY
COMPONENT UNIT
OAK CREST GOLF CLUB, INC.
STATEMENT OF ACTIVITIES
Year ended June 30, 2007

OPERATING REVENUES - User charges	\$	365,074
OPERATING EXPENSES - General operations and maintenance		<u>392,194</u>
OPERATING INCOME	\$	(27,120)
NON-OPERATING GAINS (LOSSES)		
Interest earned	\$	512
Miscellaneous income		66,905
Transfer from City of Norway		10,000
Transfer to Norway Building Authority		<u>(73,249)</u>
TOTAL NON-OPERATING GAINS (LOSSES)	\$	<u>4,168</u>
NET INCOME	\$	(22,952)
Net assets - beginning		<u>145,935</u>
NET ASSETS - ENDING	\$	<u><u>122,983</u></u>

Notes to Financial Statements are an integral part of this statement.

CITY OF NORWAY
COMPONENT UNIT
OAK CREST GOLF CLUB, INC.
STATEMENT OF CASH FLOWS
Year ended June 30, 2007

OPERATING ACTIVITIES

Net income (loss)	\$ (22,952)
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(1,741)
(Increase) decrease in inventory	(3,408)
Increase (decrease) in accounts payable	(6,391)
Increase (decrease) in gift certificates payable	(4,993)
Increase (decrease) in accrued payroll, taxes and withholdings	3,439
Increase (decrease) in other accrued liabilities	<u>758</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (35,288)
Cash and equivalents - beginning	<u>129,572</u>
CASH AND EQUIVALENTS - ENDING	\$ <u><u>94,284</u></u>

Notes to Financial Statements are an integral part of this statement.

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Norway (City) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City:

Reporting Entity

The City is governed by an elected five member council (Council). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

BLENDED COMPONENT UNITS

The Norway Building Authority was established to finance the renovation, construction and equipping of the clubhouse at the Oak Crest Golf Course. All of the activity of the fund which consists solely of the debt service payments are transferred to the Debt Service Fund from the Oak Crest Golf Club, Inc. who is primarily responsible for the debt service payments. As such, the receipts and payments are recorded in the Debt Service Fund.

The Norway Utility Authority was established as a joint venture with the Township of Norway to provide financing for upgrades to the sewer system to the residents of the two jurisdictions. The City's portion of the debt is recorded on the records of the Sewer Fund and the Township payments are recorded as contributions and the debt services payments are recorded in their entirety within the fund.

Downtown Development Authority - The Downtown Development Authority is governed by a board which has been appointed by the City Council. For financial reporting purposes, the Downtown Development Authority is reported in a separate Special Revenue Fund.

Museum Fund - The Museum Fund is governed by a board that is appointed by the City Council. For financial reporting purposes, the Museum Fund is reported in a separate Special Revenue Fund.

DISCRETELY PRESENTED COMPONENT UNIT

The following component unit is reported within the "component unit" column in the government wide financial statements. The discretely presented component unit is an entity that is legally separate from the City of Norway, but for which the City is financially accountable, or its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DISCRETELY PRESENTED COMPONENT UNIT (CONTINUED)

OAK CREST GOLF CLUB, INC. - The Oak Crest Golf Club is governed by a separate commission that is elected by the membership. While the City Council sets membership fees and can limit membership totals, the Council does not approve budgets or expenses. Complete audited financial statements are available at the Oak Crest Golf Club in Norway, Michigan and the City Hall.

Government-Wide and Fund Financial Statements

The government-wide statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable–Current Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes levied on July 1 are payable in one installment by August 15 without penalty. The City bills and collects its own property taxes and also taxes for Dickinson County, the local school district and the intermediate school district. Collections and remittances of county and school taxes are accounted for in the Tax Collection Fund. City real property taxes are recognized when levied and personal property taxes are recognized when received.

The City is permitted to assess 20 mills for general governmental services according to its charter. The City actually assessed 14.8942 mills for operations and 1.9000 mills for road improvements. These assessments generated net tax collections of \$636,946 recorded in the General Fund, \$170,632 in the Downtown Development Authority and \$95,729 in the Local Street Fund.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Downtown Development Authority accounts for the receipts and expenditures associated with improvements to the designated Tax Incremental Financing District.

The Capital Project Fund is used to account for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds).

The government reports the following major proprietary funds:

The Television Fund accounts for the activities of the community television/internet system.

The Electric Fund accounts for the activities of the power generation and distribution system.

The Golf Fund accounts for the activities of the Oak Crest Golf Course.

The Water Fund accounts for the activities of the water distribution system.

The Sewer Fund accounts for the activities of the sewer collection system.

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's utility function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary funds relate to charges to customers for sales and services. The water and sewer funds also recognizes the portion of the fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments— Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of six months or less when acquired. Investments are stated at fair value.

Receivables and Payables— In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "due to/from other funds."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories and Prepaid Items— Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets— The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

Capital Assets— Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Television/Internet	5 to 25 years
Electric System	5 to 40 years
Golf Course	15 to 40 years
Water and Sewer Lines	40 to 60 years
Roads	10 to 30 years
Other Infrastructure	10 to 40 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Compensated Absences (Vacation, Personal and Sick Leave)— It is the government's policy to permit employees to accumulate earned but unused vacation, personal and sick pay benefits. There is a liability for unpaid accumulated sick leave since the government has a policy to pay a portion of the accumulated benefits to employees upon separation from service with the government in some circumstances. All vacation and personal leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Obligations— In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity— In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Comparative Data/Reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Excess of Expenditures Over Appropriations In Budgetary Funds

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the City's actual expenditures, budgeted expenditures and related variances for the budgetary funds have been shown on an activity basis. The approved budgets of the City for these budgetary funds were adopted to the activity level.

Fund/Activity	Actual	Budget	Variance	%
General-Mayor/Council/Elections	\$ 79,409	\$ 77,499	\$ 1,910	2
General-Parks and Recreation	50,418	36,984	13,434	36
General-Transfers	1,380,456	126,136	1,254,320	994
Major Streets-Construction	469,974	0	469,974	~

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Excess of Expenditures Over Appropriations In Budgetary Funds (continued)

Fund/Activity	Actual	Budget	Variance	%
Major Streets-Route Maintenance	\$ 81,732	\$ 75,863	\$ 5,869	8
Major Streets-Winter Maintenance	61,560	54,300	7,260	13
Local Streets - Construction	147,104	0	147,104	~
Local Streets - Route Maintenance	67,451	58,240	9,211	16
Local Streets - Winter Maintenance	33,469	33,250	219	1
Local Streets - Transfers out	93,041	0	93,041	~
Capital Projects - Transfers out	394,071	0	394,071	~
Museum - Capital Projects	18,526	1,000	17,526	~
Debt Service - Debt Service	360,933	326,141	34,492	11

NOTE C-RESTATEMENT OF BEGINNING NET ASSETS

The City had inappropriately included the unfunded accrued actuarial pension liability as a liability for the determination of net assets in the prior fiscal year. As a result of this change, the beginning net assets of the City are restated as follows:

June 30, 2006 net assets as originally reported	\$ 6,948,231
Add: adjustment to unfunded accrued actuarial liability	<u>4,921,628</u>
Restated June 30, 2006 Net Assets	<u>\$11,869,859</u>

NOTE D - ACCUMULATED FUND DEFICITS

The City has no accumulated fund balance/retained earnings deficits as of June 30, 2007.

NOTE E – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan; bond securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements, bankers' acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase, obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE E – DEPOSITS AND INVESTMENTS (CONTINUED)

The City has designated two banks and one financial institution for the deposit of its funds along with an investment in the Upper Peninsula Power Producers Agency, LLC. The investments policy adopted by the board in accordance with Public Act 196 of 1997, as amended, had authorized investment in any of the securities allowed under the Act. The City's deposits and investment policy are in accordance with statutory authority.

At year-end, the City's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total Primary Government	Component Unit
Cash & Cash Equivalents	\$ 666,196	\$ 218,763	\$ 0	\$ 884,959	\$ 94,284
Restricted Assets	681,600	818,473	0	1,500,073	0
Total	\$ 1,347,796	\$ 1,037,236	\$ 0	\$ 2,385,032	\$ 94,284

All of the cash and equivalents have been placed in bank accounts at the various approved financial institutions. The primary government bank balance is \$2,385,032 of which \$219,852 is covered by federal depository insurance and the entire component unit cash balance is covered by federal depository insurance.

INVESTMENTS

These investments that are represented by specific identifiable investment securities are classified as to credit risk by the one of three categories. The City's investment falls into Category 1 which is held by the City in the City's Name. The investment is classified as Cash in the financial statements. The investment was a membership in the Upper Peninsula Power Producers Agency, LLC (UPPPA). The City has invested \$221,223 as of the June 30, 2007, and expects to receive an ongoing return of 12% per annum.

NOTE F - DUE TO/FROM OTHER FUNDS

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. Such transactions are generally reflected as transfers in the various funds' financial statements. A summary of balances of interfund receivables and payables as of June 30, 2007 follows:

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE F - DUE TO/FROM OTHER FUNDS (CONTINUED)

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
General	Television	\$ 90,249
General	Golf	107,033
General	Sewer	293,925
Local Streets	General	192
Local Streets	Tax	676
Electric	General	200,000
Tax	General	853

NOTE G - CHANGES IN CAPITAL ASSETS

Capital asset activity for the City for the year ended June 30, 2007 was as follows:

	Beginning	Additions	Disposals	Ending
Governmental Funds				
Assets not depreciated - Land	\$ 3,469,545	\$ 406,438	\$ 0	\$ 3,875,983
Assets depreciated				
Buildings	2,513,631	194,601	0	2,708,232
Infrastructure	9,933,074	617,078		0
			10,550,152	
Equipment	<u>2,108,915</u>	<u>278,916</u>	<u>0</u>	<u>2,387,831</u>
Total at Historic Cost	\$18,025,165	\$1,497,033	\$ 0	\$ 19,522,198
 Less Accumulated Depreciation for:				
Buildings	\$ 276,420	\$ 69,085	\$ 0	\$ 345,505
Infrastructure	1,757,847	646,722	0	2,404,569
Equipment	<u>1,233,640</u>	<u>152,290</u>	<u>0</u>	<u>1,385,930</u>
Total Accumulated Depreciation	<u>\$ 3,267,907</u>	<u>\$ 868,098</u>	<u>\$ 0</u>	<u>\$ 4,136,004</u>
 Net Governmental Funds - Capital Assets	<u>\$14,757,258</u>			<u>\$ 15,386,194</u>

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE G - CHANGES IN CAPITAL ASSETS (CONTINUED)

	Beginning	Additions	Disposals	Ending
Business Type Funds				
Assets depreciated				
Television/internet system	\$ 1,049,618	\$ 45,185	\$ 58,684	\$ 1,036,119
Electric utility system	12,043,622	1,205,673	0	13,249,295
Golf operations	2,043,881	63,195	0	2,107,076
Water utility system	6,079,860	140,807	0	6,220,667
Sewer utility system	<u>2,175,267</u>	<u>243,986</u>	<u>0</u>	<u>2,419,253</u>
Total at Historic Cost	\$23,392,248	\$1,698,846	\$ 58,684	\$ 25,032,410
Less Accumulated Depreciation for:				
Television/internet system	\$ 839,529	\$ 55,443	\$ 57,052	\$ 837,920
Electric utility system	5,373,995	344,039		0
			5,718,034	
Golf operations	1,282,585	66,078	0	1,348,663
Water utility system	1,927,768	135,955	0	2,063,723
Sewer utility system	<u>888,439</u>	<u>77,899</u>	<u>0</u>	<u>966,338</u>
Total Accumulated Depreciation	<u>\$10,312,316</u>	<u>\$ 679,414</u>	<u>\$ 57,052</u>	<u>\$10,934,678</u>
Net Business Type Funds - Capital Assets	<u>\$13,079,932</u>			<u>\$14,097,732</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General Government	\$ 54,650
Public Safety	61,061
Public Works	746,079
Parks and Recreation	<u>6,308</u>
Total Governmental Activities	<u>\$ 868,098</u>
Business-Type Activities	
Television/internet system	\$ 55,443
Electric utility system	344,039
Golf operations	66,078
Water utility system	135,955
Sewer utility system	<u>77,899</u>
Total Business-Type Activities	<u>\$ 679,414</u>

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE H - EMPLOYEE RETIREMENT

PLAN DESCRIPTION

The City has adopted an employees' Pension Plan of the Municipal Employees' Retirement System for all eligible employees. The varying levels of benefits are summarized in the plan documents and annual actuarial report on file at the City Hall. The plan is an agent multiple-employer pension plan. Normal retirement benefits are paid employees retiring at age 60 with 10 or more years of service.

ACTUARIAL ACCRUED LIABILITY

The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2006.

GASB 25 INFORMATION (as of 12/31/06)

Actuarial Accrued Liability:

Retiree and beneficiaries currently receiving benefits	\$ 9,585,964
Terminated employees not yet receiving benefits	0
Non-vested terminated employees	4,214
Current employees:	
Accumulated employee contributions	
including allocated investment income	789,751
Employer financed	<u>3,262,273</u>
Total Actuarial Liability	\$ 13,642,202
Net assets available for benefits, at actuarial value	<u>8,186,174</u>
(Market Value is \$7,418,339)	
Unfunded (overfunded) actuarial accrued liability	\$ 5,456,028

GASB 27 INFORMATION (as of 12/31/06)

Fiscal year beginning	July 1, 2008
Annual required contributions (ARC)	\$ 409,344
Amortization factor used	0.054719

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE I - COMPENSATED ABSENCES

Pursuant to the requirements of the Governmental Accounting Standards Board Statement 16, the City accrues a liability for compensated absences which meet the following criteria:

1. The City's obligation related to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria, the City has calculated a liability for sick, personal and vacation leave which has been earned but not taken by City employees.

For governmental funds, a portion of the liability for the vacation, sick and personal leave absences are recorded in applicable funds as earned and that were subsequently liquidated with "expendable and available assets". The total accrued vacation, sick and personal leave earned but not taken as of June 30, 2007, is \$159,995, \$193,865 and \$5,981 respectively. The total accrued sick leave that will be paid upon termination of employment to employees in accordance with bargaining unit contracts and City policies is \$69,210 as of June 30, 2007. For proprietary funds, the liabilities are recorded in the applicable funds as accrued liabilities in accordance with FASB Statement 43.

Specifically, the various contracts and agreements covering the City's personnel allow for vesting and/or accumulation of sick and vacation pay as follows:

Sick Leave - Earned at the rate of various days per year with an accumulation limit of 120 and a 35% vesting feature for AFSCME and AFL-CIO and a 40% vesting feature for IBEW - Supervisory and 150 days and a 35% vesting feature for IBEW - Electrical.

Vacation Leave - unlimited accumulation of unused days with 100% vesting.

Those amounts required to be accrued have been recorded in the various funds as follows:

	<u>Amount</u>
General Fund (current)	\$ 21,304
Oak Crest Golf Course	9,242
Electric Utility	42,804
Water Utility	36,884
Sewer Utility	25,929
Television Utility	6,701

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE J - GENERAL LONG TERM DEBT

NORWAY BUILDING AUTHORITY BONDS

The Norway Building Authority originally issued \$850,000 of revenue bonds during 1993 for the construction of a new golf clubhouse. The bonds are a primary obligation of the Norway Building Authority with the City being secondarily liable. Payment of the bonds began on September 1, 1993 and runs to September 1, 2014, with an interest rate varying from 5.75% to 8%.

The bonds were refinanced in September, 2003 in the amount of \$615,000 plus a three percent premium of \$18,450. Semi-annual payments of \$36,625 are due March 1 and September 1 through 2014.

Debt requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007-2008	\$ 53,468	\$ 19,781	\$ 73,249
2008-2009	55,842	17,407	73,249
2009-2010	58,320	14,929	73,249
2010-2011	60,908	12,341	73,249
2011-2012	63,612	9,637	73,249
2012-2015	<u>171,656</u>	<u>11,468</u>	<u>183,124</u>
TOTALS	\$ 463,806	\$ 85,563	\$ 549,369

2001 DOWNTOWN DEVELOPMENT AUTHORITY BONDS

The Downtown Development Authority issued \$995,000 of general obligation limited tax development bonds on April 1, 2001, for the development of the downtown area. Payment of the bonds begin in 2001 and run to 2023, with interest rates varying from 4.5% to 5.3%.

The bonds were originally sold in March, 2001 in the amount of \$995,000. Semi-annual payments are due December 1 and June 1 through 2023.

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE J - GENERAL LONG TERM DEBT (CONTINUED)

2001 DOWNTOWN DEVELOPMENT AUTHORITY BONDS (CONTINUED)

The cumulative debt service schedule is below:

Payable Fiscal Year	June 1		December 1		Total
	Interest	Principal	Interest		
2007-2008	\$ 23,513	\$ 30,000	\$ 23,513	\$	77,026
2008-2009	22,837	35,000	22,837		80,674
2009-2010	22,050	35,000	22,050		79,100
2010-2011	21,263	40,000	21,263		82,526
2011-2012	20,263	45,000	20,263		85,526
2012-2017	81,905	300,000	81,905		463,810
2017-2022	39,115	365,000	39,115		443,230
2022-2023	1,988	75,000	1,988		78,976
TOTALS	\$ 232,934	\$ 925,000	\$ 232,934	\$	1,390,868

2005 DOWNTOWN DEVELOPMENT AUTHORITY BONDS

The Downtown Development Authority issued \$900,000 of general obligation limited tax development bonds on June 1, 2005, for the development of the downtown area. Payment of the bonds begin in 2005 and run to 2024, with interest rates varying from 3.5% to 5.0%.

The bonds were originally sold in June, 2005 in the amount of \$900,000 less a one percent discount of \$9,000. Semi-annual payments are due December 1 and June 1 through 2024.

The cumulative debt service schedule is below:

Payable Fiscal Year	December 1		June 1		Total
	Interest	Principal	Interest		
2007-2008	\$ 18,735	\$ 15,000	\$ 18,473	\$	52,208
2008-2009	18,473	15,000	18,210		51,683
2009-2010	18,210	20,000	17,860		56,070
2010-2011	17,860	25,000	17,423		60,283
2011-2012	17,423	30,000	16,898		64,321
2012-2017	77,198	225,000	72,949		375,147
2017-2022	48,123	390,000	39,724		477,847
2022-2023	6,375	170,000	2,125		178,500
TOTALS	\$ 222,397	\$ 890,000	\$ 203,662	\$	1,316,059

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE J - GENERAL LONG TERM DEBT (CONTINUED)

FIRE HALL BONDS

The Norway Building Authority issued \$680,000 of bonds which were sold entirely to the Rural Development on May 17, 2001. The proceeds were used to construct a replacement fire hall to service the City of Norway and carry an interest rate of 4.75%.

Bonds are subject to redemption prior to maturity, in inverse numerical order, at the option of the City on any interest payment date at par and accrued interest to the date fixed for redemption.

The cumulative debt service schedule is below:

Payable Fiscal Year	December 1		June 1		Total
	Interest	Principal	Interest		
2007-2008	\$ 14,202	\$ 17,000	\$ 13,799	\$	45,001
2008-2009	13,799	18,000	13,371		45,170
2009-2010	13,371	19,000	12,920		45,291
2010-2011	12,920	20,000	12,445		45,365
2011-2012	12,445	21,000	11,946		45,391
2012-2017	54,198	123,000	51,276		228,474
2017-2022	37,763	165,000	33,844		236,607
2022-2023	15,865	215,000	10,759		241,624
TOTALS	\$ 174,563	\$ 598,000	\$ 160,360	\$	932,923

CITY HALL BONDS

The City issued \$995,000 of general obligation limited tax bonds on June 1, 2001 for the demolition, equipping and replacement of the City Hall. Payment of the bonds begin in 2002 and run to 2021, with interest rates varying from 4.5% to 5.2%.

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE J - GENERAL LONG TERM DEBT (CONTINUED)

CITY HALL BONDS

The cumulative debt service schedule is below:

Payable Fiscal Year	June 1		December 1		Total
	Interest	Principal	Interest		
2007-2008	\$ 20,595	\$ 40,000	\$ 20,595	\$	81,190
2008-2009	19,695	40,000	19,695		79,390
2009-2010	18,795	45,000	18,795		82,590
2010-2011	17,783	45,000	17,783		80,566
2011-2012	16,770	50,000	16,770		83,540
2012-2017	63,440	285,000	63,440		411,880
2017-2021	20,800	310,000	20,800		351,600
TOTALS	\$ 177,878	\$ 815,000	\$ 177,878	\$	1,170,756

2006 STREET IMPROVEMENT BONDS

The City issued \$995,000 of general obligation limited tax bonds on June 1, 2006 to construct, repair and improve its streets. Payment of the bonds begin in 2006 and run to 2021, with interest rates varying from 3.8% to 4.8%.

The cumulative debt service schedule is below:

Payable Fiscal Year	June 1		December 1		Total
	Interest	Principal	Interest		
2007-2008	\$ 20,411	\$ 55,000	\$ 20,411	\$	95,823
2008-2009	19,339	60,000	19,339		98,678
2009-2010	18,154	65,000	18,154		101,308
2010-2011	16,838	65,000	16,838		98,675
2011-2012	15,505	70,000	15,505		101,010
2012-2017	55,388	350,000	55,388		460,775
2017-2021	16,450	280,000	16,450		312,900
TOTALS	\$ 162,084	\$ 945,000	\$ 162,084	\$	1,269,168

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE J - GENERAL LONG TERM DEBT (CONTINUED)

TRUCK BANK LOAN

The City borrowed \$207,431 on March 10, 2006 for the acquisition of trucks to be used in the Public Works Department. The loan calls for quarterly payments of \$8,698 beginning in May, 2006 and carries an interest rate of 4.5%. The loan has a balloon payment due on March 10, 2009, of \$135,228.

The cumulative debt service schedule is below:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007-2008	\$ 26,949	\$ 7,843	\$ 34,791
2008-2009	<u>152,528</u>	<u>4,840</u>	<u>147,688</u>
TOTALS	\$ 174,636	\$ 12,683	\$ 187,319

FIRE TRUCK LOAN

The City borrowed a total \$215,000 using a draw schedule during the 2006-2007 year for the acquisition of and equipping a new fire truck. The loan calls for semi-annual payments of interest at the rate of 4.375% per annum and annual payments on the principal balance.

The cumulative debt service schedule is below:

Payable	October 1		April 1	
Fiscal Year	Interest	Principal	Interest	Total
2007-2008	\$ 4,703	\$ 10,000	\$ 4,265	\$ 18,968
2008-2009	4,484	10,000	4,266	18,750
2009-2010	4,266	10,000	4,047	18,313
2010-2011	4,047	10,000	3,828	17,875
2011-2012	3,828	12,500	3,555	19,883
2012-2017	14,711	72,500	13,125	100,336
2017-2022	<u>6,180</u>	<u>90,000</u>	<u>4,211</u>	<u>100,391</u>
TOTALS	\$ 42,219	\$ 215,000	\$ 37,297	\$ 294,516

NOTE K- OPERATING LEASE

During the 2006-2007 year, the City entered into a lease agreement for the installation of various energy saving devices. The total obligation is up to \$655,000 with approximately \$440,00 expended as of the end of the fiscal year. The payments for this program will be made in ten annual lease payments of \$86,952.

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE L - PROPRIETARY FUND LONG TERM DEBT

NORWAY UTILITIES AUTHORITY

The Norway Utilities Authority originally issued \$1,010,000 of bonds which were sold entirely to the Farmers Home Administration (now Rural Development). The proceeds were used to improve, enlarge and extend a sewer disposal system to service the City of Norway and Township of Norway, each constituent members of the Authority. The bonds, dated June 6, 1978, carry an interest rate of 5.0%.

Bonds maturing in the years 1989 to 2018, inclusive, are subject to redemption prior to maturity, in inverse numerical order, at the option of the Authority on any interest payment date on or after August 1, 1988, at par and accrued interest to the date fixed for redemption.

The cumulative debt service schedule is below:

Payable Fiscal Year	January 15		July 15		Total
	Interest	Principal	Interest		
2007-2008	\$ 7,125	\$ 20,000	\$ 7,125	\$	34,250
2008-2009	6,625	20,000	6,625		33,250
2009-2010	6,125	20,000	6,125		32,250
2010-2011	5,625	25,000	5,625		36,250
2011-2012	5,000	25,000	5,000		35,000
2012-2017	15,250	140,000	15,250		170,500
2017-2018	875	35,000	875		36,750
TOTALS	\$ 46,625	\$ 215,000	\$ 46,625	\$	378,250

ELECTRIC UTILITY SYSTEM REVENUE BONDS

In 1982-1983, the City undertook a major construction project which included improvements to their existing electrical utility system. Specifically, this project included the purchase and installation of two 900 kilowatt generating units, transmission lines and auxiliary equipment and the construction of certain concrete structural improvements to the existing hydroelectric facility with an estimated cost of \$2,500,000.

The City initially borrowed \$ 2,290,000 from the Farmers Home Administration, an agency of the United States Government. The bonds were refinanced in 1987 and again in 1994.

The 1994 refinancing was a defeasance with the 1987 bonds being called in 1999. The bonds carry interest rates varying from 3.1% to 5.375%. The bonds are subject to redemption prior to maturity, in inverse order, at the City's option on any interest payment date, at par plus accrued interest to the date fixed for redemption.

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE L - PROPRIETARY FUND LONG TERM DEBT (CONTINUED)

ELECTRIC UTILITY SYSTEM REVENUE BONDS (CONTINUED)

The cumulative debt service schedule is below:

Payable Fiscal Year	February 1		August 1		Total
	Interest	Principal	Interest		
2007-2008	\$ 24,725	\$ 165,000	\$ 24,725	\$	214,450
2008-2009	20,291	175,000	20,291		215,582
2009-2010	15,588	185,000	15,588		216,176
2010-2011	10,616	190,000	10,616		211,232
2011-2012	5,509	205,000	5,509		216,019
TOTALS	\$ 76,728	\$ 920,000	\$ 76,728	\$	1,073,456

2002 ELECTRIC UTILITY SYSTEM REVENUE BONDS

The City issued \$995,000 of limited revenue bonds on June 3, 2002, for the updating of the power dam and automation of the plant. Payment of the bonds begin in 2002 and run to 2017, with interest rates varying from 4.3% to 5.15%.

The cumulative debt service schedule is below:

Payable Fiscal Year	June 1		December 1		Total
	Interest	Principal	Interest		
2007-2008	\$ 20,099	\$ 40,000	\$ 20,099	\$	80,198
2008-2009	19,239	45,000	19,239		83,478
2009-2010	18,271	45,000	18,271		81,542
2010-2011	17,270	50,000	17,270		84,540
2011-2012	16,133	50,000	16,133		82,266
2012-2017	45,450	600,000	45,450		690,900
TOTALS	\$ 136,462	\$ 830,000	\$ 136,462	\$	1,102,924

ELECTRIC EQUIPMENT LOAN

The City borrowed \$203,983 on January 20, 2006 for the purchase of trucks and trailers to be used in the Electric Department. This equipment had originally been leased by the City. The loan calls for quarterly payments of \$11,464 beginning in April, 2006 and carries an interest rate of 4.5%. The loan has a balloon payment due on January 20, 2009, of \$98,652.

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE L - PROPRIETARY FUND LONG TERM DEBT (CONTINUED)

ELECTRIC EQUIPMENT LOAN (CONTINUED)

The cumulative debt service schedule is below:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007-2008	\$ 39,332	\$ 6,524	\$ 45,856
2008-2009	<u>117,878</u>	<u>3,702</u>	<u>121,580</u>
TOTALS	\$ 157,211	\$ 10,226	\$ 167,436

1999 WATER UTILITY SYSTEM REVENUE BONDS

In 1987, the City issued revenue bonds in the amount of \$750,000 for the construction of improvements, repairs and replacement to the City's water supply system. The bonds are not a general obligation of the City, but are payable solely from the net revenues of the Water Utility Fund. A statutory first lien has been created on the revenues of the system for the payment of said bonds and the interest thereon. During the 1998-1999 year, the bonds were refinanced through the Michigan Municipal Finance Authority. This refinancing reduced the interest to an effective interest rate of 5.012%.

The cumulative debt service schedule is below:

Payable Fiscal Year	November 1		May 1	
	Interest	Principal	Interest	Total
2007-2008	\$ 16,494	\$ 30,000	\$ 10,841	\$ 57,335
2008-2009	10,841	30,000	10,091	50,932
2009-2010	10,091	35,000	9,199	54,290
2010-2011	9,199	35,000	8,289	52,488
2011-2012	8,289	40,000	7,229	55,518
2012-2017	9,861	230,000	19,020	258,881
2017-2018	<u>(3,613)</u>	<u>55,000</u>	<u>0</u>	<u>51,387</u>
TOTALS	\$ 61,162	\$ 455,000	\$ 64,669	\$ 580,831

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE L - PROPRIETARY FUND LONG TERM DEBT (CONTINUED)

1997 WATER UTILITY SYSTEM REVENUE BONDS

In 1997, the City authorized issuance of revenue bonds in the amount of \$3,172,000 for the purpose of making improvements, repairs and replacement to the City's water supply system. The bonds are not a general obligation of the City, but are payable solely from the net revenues of the Water Utility Fund and the entire amount was purchased by Rural Development, an agency of the United States Government. A statutory first lien has been created on the revenues of the system for the payment of said bonds and the interest thereon.

The cumulative debt service schedule is below:

Payable Fiscal Year	November 1		May 1		Total
	Interest	Principal	Interest		
2007-2008	\$ 63,180	\$ 46,000	\$ 62,145	\$	171,325
2008-2009	62,145	48,000	61,065		171,210
2009-2010	61,065	50,000	59,940		171,005
2010-2011	59,940	53,000	58,748		171,688
2011-2012	58,748	55,000	57,510		171,258
2012-2017	274,073	314,000	267,007		855,080
2017-2022	235,417	391,000	226,620		853,037
2022-2027	187,290	487,000	176,332		850,622
2027-2032	127,327	607,000	113,670		847,997
2032-2037	52,605	757,000	35,573		845,178
TOTALS	\$ 1,181,790	\$ 2,808,000	\$ 1,118,610	\$	5,108,400

NOTE M - SUBSEQUENT EVENTS

Subsequent to the end of the fiscal year, the City authorized issuance of revenue bonds in the amount of \$6,315,000 for the purpose of making improvements, repairs and replacement to the City's electric utility system. The bonds are not a general obligation of the City, but are payable solely from the net revenues of the Electric Utility Fund. A statutory lien has been created on the revenues of the system for the payment of said bonds and the interest thereon. The bond requires that the net revenues of the Electric Fund exceed 120% of the annual debt service.

NOTE N - RECLASSIFICATION

Certain reclassifications have been made in the 2006 comparative totals to conform to classifications used in 2007.

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE O - RISK MANAGEMENT

The City of Norway is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City of Norway maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

REQUIRED
SUPPLEMENTAL
INFORMATION

CITY OF NORWAY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year ended June 30, 2007

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Beginning Fund Balance	\$ 482,577	\$ 482,577	\$ 482,577	\$ 0
Resources (Inflows)				
Property taxes	645,059	671,461	672,113	652
Federal grant	45,000	45,000	45,000	
State shared revenues and grants	324,737	316,788	314,919	(1,869)
Fines and forfeitures	7,000	6,000	5,712	(288)
Charges for services	178,000	181,500	181,064	(436)
Interest and rentals	168,000	183,000	179,923	(3,077)
Other	155,526	150,979	76,936	(74,043)
Bond/loan proceeds	215,000	215,000	215,000	0
Transfer from other funds	<u>586,933</u>	<u>619,798</u>	<u>620,197</u>	<u>399</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	\$ <u>2,807,832</u>	\$ <u>2,872,103</u>	\$ <u>2,793,441</u>	\$ <u>(78,662)</u>
Charges to Appropriations (Outflows)				
General Government				
Mayor/Council/Elections	\$ 72,510	\$ 77,499	\$ 79,409	\$ (1,910)
Administration/Finance/Legal	626,929	639,586	627,544	12,042
Buildings and grounds	26,913	48,928	45,802	3,126
Public Safety				
Police	555,432	573,063	549,596	23,467
Fire	123,694	120,413	116,573	3,840
Public Works				
Maintenance	298,284	367,949	357,557	10,392
Refuse	162,334	176,387	172,674	3,713
Parks and Recreation	27,560	36,984	50,418	(13,434)
Capital Outlay	276,100	283,014	280,144	2,870
Transfers to other funds	<u>179,616</u>	<u>164,121</u>	<u>163,833</u>	<u>288</u>
TOTAL CHARGES TO APPROPRIATIONS	\$ <u>2,349,372</u>	\$ <u>2,487,944</u>	\$ <u>2,443,550</u>	\$ <u>44,394</u>
BUDGETARY FUND BALANCE--ENDING	\$ <u><u>458,460</u></u>	\$ <u><u>384,159</u></u>	\$ <u><u>349,891</u></u>	\$ <u><u>(34,268)</u></u>

CITY OF NORWAY
BUDGETARY COMPARISON SCHEDULE
MAJOR STREET FUND
Year ended June 30, 2007

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Beginning Fund Balance	\$ 138,772	\$ 138,772	\$ 138,772	\$ 0
Resources (Inflows)				
Federal grants	0	0	136,926	
State shared revenues and grants	257,973	233,662	232,078	(1,584)
Interest earned	5,000	4,000	3,358	(642)
Transfers from other funds	<u>0</u>	<u>0</u>	<u>325,399</u>	<u>325,399</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	\$ 401,745	\$ 376,434	\$ 836,533	\$ 323,173
Charges to Appropriations (Outflows)				
Construction	\$ 0	\$ 0	\$ 469,974	\$ (469,974)
Route maintenance	38,898	75,863	81,732	(5,869)
Traffic services	10,727	9,078	7,992	1,086
Winter maintenance	48,898	54,300	61,560	(7,260)
Administration	10,952	10,952	0	10,952
Trunkline maintenance	8,090	11,240	9,699	1,541
Transfers to other funds	<u>130,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL CHARGES TO APPROPRIATIONS	\$ <u>247,565</u>	\$ <u>161,433</u>	\$ <u>630,957</u>	\$ <u>(469,524)</u>
BUDGETARY FUND BALANCE--ENDING	\$ <u>154,180</u>	\$ <u>215,001</u>	\$ <u>205,576</u>	\$ <u>(146,351)</u>

CITY OF NORWAY
BUDGETARY COMPARISON SCHEDULE
LOCAL STREET FUND
Year ended June 30, 2007

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning Fund Balance	\$ 59,555	\$ 59,555	\$ 59,555	\$ 0
Resources (Inflows)				
Property taxes	0	0	96,615	96,615
Federal grants	0	0	72,071	72,071
State shared revenues and grants	112,310	98,183	94,705	(3,478)
Interest earned	4,000	1,000	916	(84)
Transfers from other funds	<u>0</u>	<u>0</u>	<u>61,117</u>	<u>61,117</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	\$ 175,865	\$ 158,738	\$ 384,979	\$ 226,241
Charges to Appropriations (Outflows)				
Construction	\$ 0	\$ 0	\$ 147,104	\$ (147,104)
Route maintenance	27,265	58,240	67,451	(9,211)
Traffic services	1,827	1,640	308	1,332
Winter maintenance	34,265	33,250	33,469	(219)
Administration	10,381	0	0	0
Transfers to other funds	<u>40,000</u>	<u>0</u>	<u>93,041</u>	<u>(93,041)</u>
TOTAL CHARGES TO APPROPRIATIONS	\$ <u>113,738</u>	\$ <u>93,130</u>	\$ <u>341,373</u>	\$ <u>(248,243)</u>
BUDGETARY FUND BALANCE--ENDING	\$ <u><u>62,127</u></u>	\$ <u><u>65,608</u></u>	\$ <u><u>43,606</u></u>	\$ <u><u>(22,002)</u></u>

CITY OF NORWAY
BUDGETARY COMPARISON SCHEDULE
DOWNTOWN DEVELOPMENT AUTHORITY
Year ended June 30, 2007

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Beginning Fund Balance	\$ 333,410	\$ 333,410	\$ 333,410	\$ 0
Resources (Inflows)				
Property taxes	143,595	176,478	176,785	307
Interest earned	5,000	5,000	4,833	(167)
Other	0	700	700	0
Transfers from other funds	<u>650</u>	<u>87,137</u>	<u>0</u>	<u>(87,137)</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	\$ 482,655	\$ 602,725	\$ 515,728	\$ (86,997)
Charges to Appropriations (Outflows)				
Contracted services	\$ 7,200	\$ 127,200	\$ 122,656	\$ 4,544
Supplies and other	0	1,020	1,032	(12)
Debt service	120,795	120,795	120,795	0
Bond discount and administration	3,450	2,500	1,649	851
Transfers to other funds	<u>17,800</u>	<u>17,800</u>	<u>17,800</u>	<u>0</u>
TOTAL CHARGES TO APPROPRIATIONS	\$ <u>149,245</u>	\$ <u>269,315</u>	\$ <u>263,932</u>	\$ <u>5,383</u>
BUDGETARY FUND BALANCE--ENDING	\$ <u><u>333,410</u></u>	\$ <u><u>333,410</u></u>	\$ <u><u>251,796</u></u>	\$ <u><u>(81,614)</u></u>

CITY OF NORWAY
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
Year ended June 30, 2007

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning Fund Balance	\$ 1,228,790	\$ 1,228,790	\$ 1,228,790	\$ 0
Resources (Inflows)				
Federal grants	380,735	740,656	109,308	(631,348)
State grants	170,000	312,838	362,521	49,683
Sale of property	20,000	(7,349)	0	7,349
Contributions	0	1,500	9,600	8,100
Interest earned	5,000	37,755	38,044	289
Transfers from other funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	\$ 1,804,525	\$ 2,314,190	\$ 1,748,263	\$ (565,927)
Charges to Appropriations (Outflows)				
Capital projects	\$ 746,200	\$ 1,881,973	\$ 581,286	\$ 1,300,687
Planning, administration and other	0	1,190	1,190	0
Transfers to other funds	<u>0</u>	<u>0</u>	<u>394,071</u>	<u>(394,071)</u>
TOTAL CHARGES TO APPROPRIATIONS	\$ <u>746,200</u>	\$ <u>1,883,163</u>	\$ <u>976,547</u>	\$ <u>906,616</u>
BUDGETARY FUND BALANCE--ENDING	\$ <u><u>1,058,325</u></u>	\$ <u><u>431,027</u></u>	\$ <u><u>771,716</u></u>	\$ <u><u>340,689</u></u>

CITY OF NORWAY
MERS PENSION FUNDING AND STATISTICS
JUNE 30, 2007

SCHEDULE OF FUNDING PROGRESS

<u>ACTUARIAL VALUATION DATE</u>	<u>ACTUARIAL VALUE OF ASSETS</u>	<u>ACTUARIAL ACCRUED LIABILITY</u>	<u>UNFUNDED AAL (UAAL)</u>	<u>FUNDED RATIO</u>	<u>COVERED PAYROLL</u>	<u>UAAL AS A PERCENTAGE OF COVERED PAYROLL</u>
31-Dec-04	7,599,829	12,048,755	4,448,926	63%	1,486,599	299%
31-Dec-05	7,814,756	12,736,384	4,921,628	61%	1,407,404	350%
31-Dec-06	8,186,174	13,642,202	5,456,028	60%	1,506,267	362%

SCHEDULE OF EMPLOYER CONTRIBUTIONS:

<u>YEAR ENDED</u>	<u>ANNUAL REQUIRED CONTRIBUTION</u>	<u>PERCENTAGE CONTRIBUTED</u>
31-Dec-04	326,908	100%
31-Dec-05	322,977	100%
31-Dec-06	409,192	100%

THE INFORMATION PRESENTED ABOVE WAS DETERMINED AS PART OF THE ACTUARIAL VALUATION AT THE DATES INDICATED. ADDITIONAL INFORMATION AS OF THE LATEST ACTUARIAL VALUATION IS AS FOLLOWS:

ACTUARIAL COST METHOD	ENTRY AGE NORMAL
AMORTIZATION METHOD	LEVEL PERCENTAGE OF PAYROLL
AMORTIZATION PERIOD	30 YEARS, OPEN
ASSET VALUATION METHOD	ADJUSTED 5 YEAR SMOOTHED MARKET
ACTUARIAL ASSUMPTIONS	
INVESTMENT RATE OF RETURN	8.00%
PROJECTED SALARY INCREASES*	4.5% - 8.16%
*INCLUDES MERIT/LONGEVITY INCREASES	0% - 4.16%
INFLATION	3% - 4%
OTHER	1994 GROUP MORTALITY TABLE

ADDITIONAL

INFORMATION

CITY OF NORWAY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2007

ASSETS	<u>MUSEUM</u>	<u>DEBT SERVICE</u>	<u>TOTAL</u>
Cash and equivalents	\$ 22,187	\$ 0	\$ 22,187
Investments	0	0	0
Accounts receivable	1,909	0	1,909
Due from other funds	0	0	0
Due from other governmental units	0	0	0
Prepaid expenses	<u>11</u>	<u>0</u>	<u>11</u>
TOTAL ASSETS	\$ <u>24,107</u>	\$ <u>0</u>	\$ <u>24,107</u>

LIABILITIES AND FUND EQUITY

LIABILITIES			
Accounts payable	\$ 3,551	\$ 0	\$ 3,551
Salaries and wages payable	680	0	680
Accrued taxes and withholdings	52	0	52
Accrued interest	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL LIABILITIES	\$ 4,283	\$ 0	\$ 4,283

FUND EQUITY

Fund balance:			
Unreserved-undesignated	\$ <u>19,824</u>	\$ <u>0</u>	\$ <u>19,824</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u>24,107</u>	\$ <u>0</u>	\$ <u>24,107</u>

CITY OF NORWAY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
Year ended June 30, 2007

	<u>MUSEUM</u>	<u>DEBT SERVICE</u>	<u>TOTAL</u>
REVENUES			
Local grant	\$ 1,000	\$ 0	\$ 1,000
Interest earned	401	0	401
Contributions	11,306	77,001	88,307
Sale of property	<u>173</u>	<u>0</u>	<u>173</u>
TOTAL REVENUES	\$ 12,880	\$ 77,001	\$ 89,881
EXPENDITURES			
Administration and engineering	\$ 14,908	\$ 0	\$ 14,908
Debt service	0	360,933	360,933
Capital outlay	<u>18,526</u>	<u>0</u>	<u>18,526</u>
TOTAL EXPENDITURES	\$ 33,434	\$ 360,933	\$ 394,367
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (20,554)	\$ (283,932)	\$ (304,486)
OTHER FINANCING SOURCES (USES)			
Transfer from other funds	\$ 4,815	\$ 283,932	\$ 288,747
Transfer to other funds	<u>0</u>	<u>0</u>	<u>0</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES	\$ (15,739)	\$ 0	\$ (15,739)
Fund balance - beginning	<u>35,563</u>	<u>0</u>	<u>35,563</u>
FUND BALANCE - ENDING	\$ <u>19,824</u>	\$ <u>0</u>	\$ <u>19,824</u>

CITY OF NORWAY
ELECTRIC UTILITY FUND
BALANCE SHEET
June 30, 2007 and 2006

		<u>2007</u>	<u>2006</u>
ASSETS			
Current Assets:			
Cash and equivalents	\$	82,975	\$ 23,713
Accounts receivable		276,009	257,317
Due from other funds		200,000	250,000
Inventory		161,540	61,817
Prepaid expenses		<u>23,301</u>	<u>15,950</u>
TOTAL CURRENT ASSETS	\$	743,825	\$ 608,797
Restricted Assets:			
Bond reserve account	\$	397,378	\$ 194,500
Property, Plant and Equipment:			
Electric system	\$	13,249,295	\$ 12,043,622
Less accumulated depreciation		<u>(5,718,034)</u>	<u>(5,373,995)</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	\$	7,531,261	\$ 6,669,627
Other Asset - Bond discount	\$	<u>114,641</u>	<u>\$ 136,557</u>
TOTAL ASSETS	\$	<u>8,787,105</u>	<u>\$ 7,609,481</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$	243,208	\$ 64,698
Salaries and wages payable		22,226	16,160
Accrued taxes and withholdings		15,201	14,251
Accrued benefits		42,804	43,249
Sales tax payable		13,840	13,618
Customer deposits		72,916	64,659
Accrued interest		25,146	29,298
Current portion of long term debt		<u>244,332</u>	<u>232,603</u>
TOTAL CURRENT LIABILITIES	\$	679,673	\$ 478,536
Long Term Debt - Revenue bonds payable		<u>1,662,879</u>	<u>1,907,211</u>
TOTAL LIABILITIES	\$	2,342,552	\$ 2,385,747
FUND EQUITY			
Retained earnings:			
Reserved	\$	397,378	\$ 194,500
Unreserved		<u>6,047,175</u>	<u>5,029,234</u>
TOTAL FUND EQUITY	\$	<u>6,444,553</u>	<u>\$ 5,223,734</u>
TOTAL LIABILITIES AND FUND EQUITY	\$	<u>8,787,105</u>	<u>\$ 7,609,481</u>

CITY OF NORWAY
ELECTRIC UTILITY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
ACTUAL AND BUDGET
Year ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES		
User charges	\$ 2,791,494	\$ 2,421,211
User penalties	<u>22,105</u>	<u>18,761</u>
TOTAL OPERATING REVENUES	\$ 2,813,599	\$ 2,439,972
OPERATING EXPENSES		
Generation, distribution and maintenance	\$ 1,876,995	\$ 1,645,993
Depreciation	<u>344,039</u>	<u>326,382</u>
TOTAL OPERATING EXPENSES	\$ <u>2,221,034</u>	\$ <u>1,972,375</u>
OPERATING INCOME	\$ 592,565	\$ 467,597
NON-OPERATING GAINS (LOSSES)		
Interest income	\$ 17,275	\$ 3,547
Insurance reimbursement	1,053,807	163,147
Bond interest payments	(103,800)	(109,805)
Bond discount amortization	(21,916)	(21,916)
Transfer from other funds	0	0
Transfer to other funds	<u>(317,112)</u>	<u>(241,159)</u>
TOTAL NON-OPERATING GAINS (LOSSES)	\$ <u>628,254</u>	\$ <u>(206,186)</u>
NET INCOME	\$ 1,220,819	\$ 261,411
Retained earnings - beginning	<u>5,223,734</u>	<u>4,962,323</u>
RETAINED EARNINGS - ENDING	\$ <u><u>6,444,553</u></u>	\$ <u><u>5,223,734</u></u>

CITY OF NORWAY
STATEMENT OF CASH FLOWS
ELECTRIC UTILITY FUND
Year ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 2,794,907	\$ 2,410,880
Payments to suppliers	(1,068,999)	(885,251)
Payments to or on behalf of employees	<u>(721,510)</u>	<u>(709,171)</u>
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	\$ 1,004,398	\$ 816,458
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfer from (to) other funds	\$ (317,112)	\$ (241,159)
Insurance proceeds	1,053,807	163,147
Loans repaid (to) from other funds	<u>50,000</u>	<u>(250,000)</u>
TOTAL CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	\$ 786,695	\$ (328,012)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal and interest paid on capital debt	\$ (340,555)	\$ (305,730)
Loans proceeds	0	203,983
Purchases of capital assets	(1,205,673)	(537,320)
Funding of restricted accounts	<u>(202,878)</u>	<u>18,500</u>
TOTAL CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (1,749,106)	\$ (620,567)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	\$ <u>17,275</u>	\$ <u>3,547</u>
NET INCREASE (DECREASE) IN CASH	\$ 59,262	\$ (128,574)
Cash and equivalents - beginning	<u>23,713</u>	<u>152,287</u>
CASH AND EQUIVALENTS - ENDING	<u><u>\$ 82,975</u></u>	<u><u>\$ 23,713</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income	\$ 592,565	\$ 467,597
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Depreciation	344,039	326,382
Change in Assets and Liabilities		
Receivables - net	(18,692)	(29,092)
Inventory	(99,723)	32,090
Prepaid expenses	(7,351)	(627)
Accounts payable	178,510	(16,945)
Accrued payroll expense	6,066	2,513
Accrued taxes and withholdings	950	9,369
Accrued sales tax	222	7,305
Accrued benefits	(445)	2,866
Customer deposits	<u>8,257</u>	<u>15,000</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 1,004,398</u></u>	<u><u>\$ 816,458</u></u>

CITY OF NORWAY
ELECTRIC UTILITY FUND
SCHEDULE OF OPERATING EXPENSES
Year ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Generation, Distribution & Maintenance:		
Salaries and wages	\$ 416,688	\$ 425,260
Employee benefits	311,838	295,793
Supplies and other	<u>1,148,469</u>	<u>924,940</u>
TOTAL GENERATION, DISTRIBUTION AND MAINTENANCE	\$ 1,876,995	\$ 1,645,993
Depreciation	<u>344,039</u>	<u>326,382</u>
TOTAL OPERATING EXPENSES	<u>\$ 2,221,034</u>	<u>\$ 1,972,375</u>

CITY OF NORWAY
WATER UTILITY FUND
BALANCE SHEET
June 30, 2007 and 2006

		<u>2007</u>	<u>2006</u>
ASSETS			
Current Assets:			
Cash and equivalents	\$	135,488	\$ 0
Accounts receivable		92,131	83,109
Due from other governmental units		23,378	0
Inventory		37,705	37,197
Prepaid expenses		<u>7,995</u>	<u>4,802</u>
TOTAL CURRENT ASSETS	\$	296,697	\$ 125,108
Restricted Assets:			
Revenue bond and interest redemption	\$	43,336	\$ 43,336
Water supply replacement fund		107,675	107,675
Water supply improvement fund		81,349	81,349
Bond reserve - junior indenture		<u>173,000</u>	<u>155,700</u>
TOTAL RESTRICTED ASSETS	\$	405,360	\$ 388,060
Property, Plant and Equipment:			
Water system	\$	6,220,667	\$ 6,079,860
Less accumulated depreciation		<u>(2,063,723)</u>	<u>(1,927,768)</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	\$	4,156,944	\$ 4,152,092
Other Asset - Bond discount	\$	<u>3,422</u>	<u>3,764</u>
TOTAL ASSETS	\$	<u><u>4,862,423</u></u>	<u><u>4,669,024</u></u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$	45,520	\$ 3,499
Salaries and wages payable		6,618	2,967
Accrued taxes and withholdings		4,084	4,824
Accrued benefits		36,884	14,272
Accrued interest		26,860	27,190
Current portion of long term debt		<u>76,000</u>	<u>69,000</u>
TOTAL CURRENT LIABILITIES	\$	195,966	\$ 121,752
Long Term Debt - Revenue bonds payable		<u>3,187,000</u>	<u>3,263,000</u>
TOTAL LIABILITIES	\$	3,382,966	\$ 3,384,752
FUND EQUITY			
Contributed capital:			
Municipality	\$	59,520	\$ 59,520
Federal government		<u>256,461</u>	<u>146,285</u>
TOTAL CONTRIBUTED CAPITAL	\$	315,981	\$ 205,805
Retained earnings:			
Reserved	\$	405,360	\$ 388,060
Unreserved		<u>758,116</u>	<u>690,407</u>
TOTAL RETAINED EARNINGS	\$	<u>1,163,476</u>	<u>1,078,467</u>
TOTAL FUND EQUITY	\$	<u>1,479,457</u>	<u>1,284,272</u>
TOTAL LIABILITIES AND FUND EQUITY	\$	<u><u>4,862,423</u></u>	<u><u>4,669,024</u></u>

CITY OF NORWAY
WATER UTILITY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
ACTUAL AND BUDGET
Year ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES		
User charges	\$ 760,564	\$ 681,680
User penalties	7,162	6,822
State grants	7,206	9,621
Hydrant rentals	<u>33,000</u>	<u>33,000</u>
TOTAL OPERATING REVENUES	\$ 807,932	\$ 731,123
OPERATING EXPENSES		
Transmission, distribution and maintenance	\$ 355,777	\$ 324,623
Depreciation	<u>122,663</u>	<u>123,193</u>
TOTAL OPERATING EXPENSES	\$ <u>478,440</u>	\$ <u>447,816</u>
OPERATING INCOME	\$ 329,492	\$ 283,307
NON-OPERATING GAINS (LOSSES)		
Interest	\$ 8,416	\$ 3,419
Bond interest payments	(156,342)	(159,126)
Bond discount amortization	(342)	(342)
Transfer from other funds	0	0
Transfer to other funds	<u>(96,215)</u>	<u>(73,955)</u>
TOTAL NON-OPERATING GAINS (LOSSES)	\$ <u>(244,483)</u>	\$ <u>(230,004)</u>
NET INCOME	\$ 85,009	\$ 53,303
Retained earnings - beginning	<u>1,078,467</u>	<u>1,025,164</u>
RETAINED EARNINGS - ENDING	\$ <u><u>1,163,476</u></u>	\$ <u><u>1,078,467</u></u>

CITY OF NORWAY
STATEMENT OF CASH FLOWS
WATER UTILITY FUND
Year ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 798,910	\$ 709,823
Payments to suppliers	(46,499)	(139,521)
Payments to or on behalf of employees	<u>(245,435)</u>	<u>(191,026)</u>
 TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	 \$ 506,976	 \$ 379,276
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfer from (to) other funds	\$ (96,215)	\$ (73,955)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal and interest paid on capital debt	\$ (225,672)	\$ (226,930)
Purchases of capital assets	(140,807)	(65,362)
Federal grant proceeds	100,090	0
Funding of restricted accounts	<u>(17,300)</u>	<u>(16,448)</u>
 TOTAL CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	 \$ (283,689)	 \$ (308,740)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	\$ <u>8,416</u>	\$ <u>3,419</u>
 NET INCREASE (DECREASE) IN CASH	 \$ 135,488	 \$ 0
Cash and equivalents - beginning	<u>0</u>	<u>0</u>
 CASH AND EQUIVALENTS - ENDING	 <u>\$ 135,488</u>	 <u>\$ 0</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income	\$ 329,492	\$ 283,307
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Depreciation	122,663	123,193
Change in Assets and Liabilities		
Receivables - net	(9,022)	(21,300)
Inventory	(508)	(7,424)
Prepaid expenses	(3,193)	(1,259)
Accounts payable	42,021	(6,129)
Accrued payroll expense	3,651	(4,140)
Accrued taxes and withholdings	(740)	3,888
Accrued benefits	<u>22,612</u>	<u>9,140</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 506,976</u>	 <u>\$ 379,276</u>

CITY OF NORWAY
WATER UTILITY FUND
SCHEDULE OF OPERATING EXPENSES
Year ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Transmission, Distribution & Maintenance:		
Salaries and wages	\$ 140,590	\$ 100,994
Employee benefits	107,756	89,780
Supplies and other	<u>107,431</u>	<u>133,849</u>
 TOTAL TRANSMISSION, DISTRIBUTION AND MAINTENANCE	 \$ 355,777	 \$ 324,623
Depreciation	<u>122,663</u>	<u>123,193</u>
 TOTAL OPERATING EXPENSES	 \$ <u><u>478,440</u></u>	 \$ <u><u>447,816</u></u>

CITY OF NORWAY
SEWER UTILITY FUND
BALANCE SHEET
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Current Assets:		
Cash and equivalents	\$ 0	\$ 0
Accounts receivable	71,921	59,823
Due from other governmental units	40,432	0
Inventory	13,748	8,189
Prepaid expenses	<u>6,334</u>	<u>5,108</u>
TOTAL CURRENT ASSETS	\$ 132,435	\$ 73,120
Restricted Assets - bond reserve account	\$ 15,735	\$ 15,735
Property, Plant and Equipment:		
Sewage plant, lines and vehicles	\$ 2,419,253	\$ 2,175,267
Less accumulated depreciation	<u>(966,338)</u>	<u>(888,439)</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	\$ 1,452,915	\$ 1,286,828
TOTAL ASSETS	\$ <u>1,601,085</u>	\$ <u>1,375,683</u>
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 74,632	\$ 7,691
Salaries and wages payable	8,058	7,135
Accrued taxes and withholdings	4,816	5,360
Due to other funds	293,925	374,936
Accrued benefits	25,927	26,537
Current portion of long term debt	<u>12,280</u>	<u>12,280</u>
TOTAL CURRENT LIABILITIES	\$ 419,638	\$ 433,939
Long Term Debt - Revenue bonds payable	\$ <u>162,710</u>	\$ <u>174,990</u>
TOTAL LIABILITIES	\$ 582,348	\$ 608,929
FUND EQUITY		
Contributed capital		
Municipality	\$ 78,000	\$ 78,000
Federal government	<u>417,631</u>	<u>227,345</u>
TOTAL CONTRIBUTED CAPITAL	\$ 495,631	\$ 305,345
Retained earnings:		
Reserved	\$ 35,817	\$ 29,032
Unrestricted, undesignated	<u>487,289</u>	<u>432,377</u>
TOTAL RETAINED EARNINGS	\$ 523,106	\$ 461,409
TOTAL FUND EQUITY	\$ <u>1,018,737</u>	\$ <u>766,754</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u>1,601,085</u>	\$ <u>1,375,683</u>

CITY OF NORWAY
 SEWER UTILITY FUND
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
 ACTUAL AND BUDGET
 Year ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES		
User charges	\$ 705,556	\$ 560,348
User penalties	<u>9,504</u>	<u>6,972</u>
TOTAL OPERATING REVENUES	\$ 715,060	\$ 567,320
OPERATING EXPENSES		
Transmission, distribution and maintenance	\$ 532,970	\$ 501,154
Depreciation	<u>45,501</u>	<u>39,637</u>
TOTAL OPERATING EXPENSES	\$ <u>578,471</u>	\$ <u>540,791</u>
OPERATING INCOME	\$ 136,589	\$ 26,529
NON-OPERATING GAINS (LOSSES)		
Interest earned	\$ 0	\$ 0
Bond interest and fee payments	(9,594)	(10,208)
Transfers from other funds	10,592	0
Transfers (to) other funds	<u>(75,890)</u>	<u>(61,094)</u>
TOTAL NON-OPERATING GAINS (LOSSES)	\$ <u>(74,892)</u>	\$ <u>(71,302)</u>
NET INCOME	\$ 61,697	\$ (44,773)
Retained earnings - beginning	<u>461,409</u>	<u>506,182</u>
RETAINED EARNINGS - ENDING	<u>\$ 523,106</u>	<u>\$ 461,409</u>

CITY OF NORWAY
STATEMENT OF CASH FLOWS
SEWER UTILITY FUND
Year ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 702,962	\$ 555,540
Payments to suppliers	(172,430)	(200,796)
Payments to or on behalf of employees	<u>(300,615)</u>	<u>(292,334)</u>
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	\$ 229,917	\$ 62,410
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfer (to) other funds	\$ (65,298)	\$ (61,094)
Loans received from (repaid to) other funds	<u>(81,011)</u>	<u>177,965</u>
TOTAL CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	\$ (146,309)	\$ 116,871
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal, interest and fees paid on capital debt	\$ (21,874)	\$ (22,488)
Federal grant proceeds	182,252	0
Purchases of capital assets	<u>(243,986)</u>	<u>(156,793)</u>
TOTAL CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (83,608)	\$ (179,281)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	\$ <u>0</u>	\$ <u>0</u>
NET INCREASE (DECREASE) IN CASH	\$ 0	\$ 0
Cash and equivalents - beginning	<u>0</u>	<u>0</u>
CASH AND EQUIVALENTS - ENDING	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income	\$ 136,589	\$ 26,529
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Depreciation	45,501	39,637
Change in Assets and Liabilities		
Receivables - net	(12,098)	(11,780)
Inventory	(5,559)	0
Prepaid expenses	(1,226)	(102)
Accounts payable	66,941	1,712
Accrued payroll expense	923	(658)
Accrued taxes and withholdings	(544)	3,042
Accrued benefits	<u>(610)</u>	<u>4,030</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u><u>229,917</u></u>	\$ <u><u>62,410</u></u>

CITY OF NORWAY
SEWER UTILITY FUND
SCHEDULE OF OPERATING EXPENSES
Year ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Transmission, Distribution & Maintenance:		
Salaries and wages	\$ 187,325	\$ 182,136
Employee benefits	113,059	116,612
Supplies and other	<u>232,586</u>	<u>202,406</u>
 TOTAL TRANSMISSION, DISTRIBUTION AND MAINTENANCE	 \$ 532,970	 \$ 501,154
Depreciation	<u>45,501</u>	<u>39,637</u>
 TOTALS	 \$ <u><u>578,471</u></u>	 \$ <u><u>540,791</u></u>

CITY OF NORWAY
BUDGETARY COMPARISON SCHEDULE
MUSEUM FUND
Year ended June 30, 2007

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning Fund Balance	\$ 35,563	\$ 35,563	\$ 35,563	\$ 0
Resources (Inflows)				
Local grant	2,000	1,000	1,000	
Contributions	5,000	8,050	11,306	3,256
Interest earned	1,000	400	401	1
Sale of property	0	0	173	
Transfers from other funds	<u>2,000</u>	<u>5,103</u>	<u>4,815</u>	<u>(288)</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	\$ 45,563	\$ 50,116	\$ 53,258	\$ 2,969
Charges to Appropriations (Outflows)				
Administration	\$ 10,551	\$ 29,042	\$ 14,908	\$ 14,134
Capital projects	<u>1,000</u>	<u>1,000</u>	<u>18,526</u>	<u>(17,526)</u>
TOTAL CHARGES TO APPROPRIATIONS	\$ <u>11,551</u>	\$ <u>30,042</u>	\$ <u>33,434</u>	\$ <u>(3,392)</u>
BUDGETARY FUND BALANCE--ENDING	\$ <u><u>34,012</u></u>	\$ <u><u>20,074</u></u>	\$ <u><u>19,824</u></u>	\$ <u><u>(423)</u></u>

CITY OF NORWAY
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
Year ended June 30, 2007

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Beginning Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0
Resources (Inflows)				
Property taxes	93,041	95,597	0	(95,597)
Contribution from other governmental units	77,000	77,000	77,001	1
Interest earned	0	1,007	0	(1,007)
Transfers from other funds	<u>154,699</u>	<u>156,100</u>	<u>283,932</u>	<u>127,832</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	\$ 324,740	\$ 329,704	\$ 360,933	\$ 31,229
Charges to Appropriations (Outflows)				
Debt service	\$ <u>324,740</u>	\$ <u>326,141</u>	\$ <u>360,933</u>	\$ <u>(34,792)</u>
TOTAL CHARGES TO APPROPRIATIONS	\$ <u>324,740</u>	\$ <u>326,141</u>	\$ <u>360,933</u>	\$ <u>(34,792)</u>
BUDGETARY FUND BALANCE--ENDING	\$ <u><u>0</u></u>	\$ <u><u>3,563</u></u>	\$ <u><u>0</u></u>	\$ <u><u>(3,563)</u></u>

SCOTT R. KENNEY

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INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

The Honorable Mayor and City Council
City of Norway
915 Main Street
Norway, MI 49870

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norway, Michigan (City) as of and for the year ended June 30, 2007, which collectively comprise the City of Norway, Michigan's basic financial statements and have issued my report thereon dated December 7, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing my audit, I considered the City's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal

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control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted other matters involving the internal control over financial reporting that I have reported to the management of the City in a separate letter dated December 7, 2007.

This report is intended solely for the information and use of the audit committee, management, City Council and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.


Certified Public Accountant

December 7, 2007

SCOTT R. KENNEY

Certified Public Accountant

1374 Commercial Ave., Suite #1
Crystal Falls, Michigan 49920
(906) 875-4393 Fax: (906) 875-3879

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

The Honorable Mayor and City Council
City of Norway
915 Main Street
Norway, Michigan 49870

Compliance

I have audited the compliance of the City of Norway, Michigan (City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's elected officials and management. My responsibility is to express an opinion on the City's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the City's compliance with those requirements.

In my opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The elected officials and management are responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to

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federal programs. In planning and performing my audit, I considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

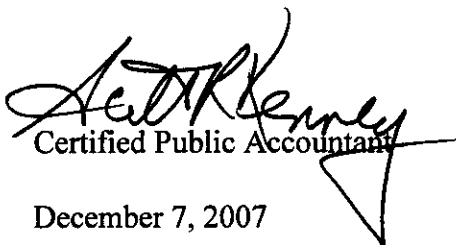
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City as of and for the year ended June 30, 2007 and have issued my report thereon dated December 7, 2007. My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of management, others with the organization, the City Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.


Certified Public Accountant

December 7, 2007

CITY OF NORWAY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2007

	<u>CFDA NUMBER</u>	<u>FEDERAL/ PASS-THROUGH GRANTOR NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Michigan Strategic Fund:			
Community Development Block Grant - 9th Avenue	14.228	MSC 205067-ICE	\$ 380,735
Community Development Block Grant - Iron Street	14.228	MSC 206030-ICE	<u>174,414</u>
TOTAL HOUSING AND URBAN DEVELOPMENT			\$ 555,149
U.S. DEPARTMENT OF AGRICULTURE			
Direct Program:			
Watershed Protection and Flood Prevention - WRP	10.904		109,308
Community Facilities Loan and Grants - Fire Truck	10.766		<u>260,000</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>369,308</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>924,457</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2007

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards programs of the City of Norway, Michigan (City). Federal awards received directly for federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The City's reporting entity is defined in Note 1 of the City's basic financial statements.

NOTE B - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified basis of accounting, which is described in Note 1 of the City's basic financial statements.

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Honorable Mayor and City Council
City of Norway
915 Main Street
Norway, MI 49870

In conjunction with the audit of the general purpose financial statements of the City of Norway (City) as of and for the year ended June 30, 2007, I have reviewed the City's accounting policies and procedures and systems of internal control. My audit was conducted primarily to enable me to formulate an opinion on the City's financial statements and accordingly, would not disclose all weaknesses in the system which may exist. My review disclosed certain areas in which I believe more effective internal control or increased efficiency may be achieved. This letter is intended to summarize my findings and present my overall conclusions and recommendations. It has been prepared solely for the information of the City Council and management and should not be presented or quoted to anyone outside of the City because of the possibility of misunderstanding by other persons who may not be aware of the objectives and limitations of internal controls and my study and evaluation thereof. Statement on Audit Standard Number 112 (SAS 112) requires that I inform the City of all significant control deficiencies and those control deficiencies be split into one of two types. The two types of control deficiencies are "significant deficiencies" and "material weaknesses". A significant deficiency is defined as a control deficiency that has more than a remote likelihood that the entity's ability to initiate, authorize, record, process or report financial data in compliance with accounting principles generally accepted in the United States of America will be adversely affected and that such affect will be more than inconsequential. A material weakness is defined as a significant deficiency(ies) that could have a material affect on the financial statements. The first three comments are repeated from the prior year.

Significant Deficiencies

1. **OBSERVATION** - The City has not adopted a capitalization policy for equipment and/or capital projects. This policy would assist management in properly classifying expenditures into the correct accounts.

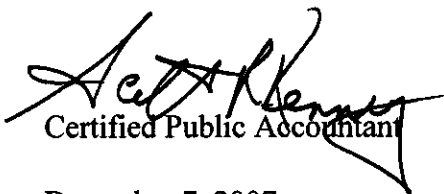
RECOMMENDATION - I strongly recommend that the City adopt a formal capitalization policy. Fixed assets with an expected useful life of more than one year and a cost of \$1,000 or more should be capitalized. This policy then needs to be forwarded to department heads for their implementation. In addition, budgets should be reviewed and amended as required utilizing the newly implemented policy.

2. **OBSERVATION** - When the detailed utility accounts receivable were examined, I noted that several of the accounts are severely delinquent.

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I would like to thank the City Council for allowing me to conduct the audit of the financial statements and I would especially like to thank Ray, Mary, the office staff and the department heads for their assistance during the audit.

If the City would like my assistance in implementing any of the above recommendations, I am willing to help in any way that I can.


Certified Public Accountant

December 7, 2007